



# ***JPRS Report***

## **East Europe**

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# East Europe

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**Czech-Sudeten German Rapprochement Advocated**  
*91CH0823A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 18 Jul 91 p 1*

[Article by Georg Reissmueller: "On Both Sides of the Bohemian Forest"]

[Text] Anyone in Czechoslovakia today who examines how things stand in the relationship between the Czechs and the Germans will find lots of encouraging signs. Interest in Germany is great across all class lines. German visitors are received in a friendly manner, for the most part. Czechs cross the border in droves, for shopping, but also to see how we live and what we are like.

The number of Czechs who work in our midst is large, and the number of those who are looking for high-quality training here is certainly not small. Contacts between universities in Germany and Czechoslovakia are becoming closer and closer. Church congregations on this side of the border and that side are growing together in terms of common activities and commonly shared experiences. Workers are demanding mergers with German companies because they feel they hold the promise of a secure future.

Never in this century have the Czechs been more open to Germany and the Germans than now—even if there are people sitting in many an office in Prague eagerly placing obstacles in the path of cooperation between the two countries, claiming a "Germanization" is threatening Czechoslovakia. Many people among the intellectual leadership would welcome the reappearance of a major German newspaper in Prague. Anyone who has a grasp of the contemporary history of central Europe must consider that to be something of a miracle. This proclivity is reciprocated on the German side—even if it remains within the bounds that it is reciprocated in certain narrow circles, and that in other respects interest in our Czech neighbors, at least among certain enterprising individuals, has reached the level at which the decision to become acquainted on a deeper level can mature. Who among us ever learned Czech? Geography and history provide the Germans with special access to Czech culture. Too bad that laziness and an oversimplified version of "western life" keeps them from taking advantage of it.

But shadows from the past are cast across the brightness of the present. Once again, President Havel has condemned the expulsion of the Germans from Czechoslovakia as immoral. And yet, according to the will of the Czechoslovak state, there should be no legal or political consequences of such a negative judgment. The expelled Germans are not to be permitted to return to their homeland, nor will they be granted indemnification for their property. Such refusals are met with a negative response, most of all by the Organization of Sudeten Germans, but it is by no means limited to that quarter. It

cannot simply be swept aside. Why, especially in this instance, should gross injustice not have its subsequent restitution?

Prague's categorical no is dubious for another reason, as well. It is based on the premise that the Czechoslovak state should render indemnification, that is, only to the extent that Czechs are involved, only for sovereign acts after the Communist takeover of February 1948. What stands behind this is the claim that the Prague government in the intervening years between the end of the war and the Stalinist coup, was founded on principles of justice and freedom—an unholy legend. In truth, the Benes-Gottwald Republic, in its three brief years, was a government that trod upon human dignity and human rights, something that not only the Germans encountered in a particularly brutal way, but also the Hungarians, and many Czechs and Slovaks as well. Benes sold his country out to Stalin, even during the war; the price was a turning away from justice and morality. The ground had been well prepared for Communist rule by force.

Should Czechoslovakia now permit all Germans to return and grant indemnification? Here it is easy for anyone to fall into a dangerous hardening process who does not consider a priori that in this world, not every injustice can be indemnified, that the factor time also claims its due, and that with the passage of time, a new law can be superimposed on the old. Today, in many cases, the third generation of Czechs is living in the Germans' houses, and no one can dispute their right to a home. Where should they all go? Certainly, only a few Germans would, if they were allowed to, return to their, or their fathers' disfigured home towns; the government in Prague is also aware of that. Still, perhaps even more Germans would demand indemnification. Where would the already financially strapped Czechoslovakia, whose people are already facing bitter years to come, get the money? At the very least, it would not be wise to subject a people favorably disposed toward the Germans to the pressure of indemnification claims they have no hope of meeting.

How can the gap be bridged? No one knows a magic word. But, by means of reasoned dialogue, it could be possible to get so far removed from a German Everything and a Czech Nothing that a settlement could be reached, so that the wounds would not open, but close; in any event, freedom of domicile would apply to Czechoslovakia, once it belonged to the European Community. Both sides should consider that for the peaceful coexistence of peoples, just as for individuals, forthrightness and reconciliation mean incomparably more in the long term than material advantages or political positions.

By taking a symbolic step toward reparations, Prague could win over most of the displaced persons. Many a politician in Czechoslovakia sees the opportunity and wants to take advantage of it. German cooperation would help them. There is not much time to lose,

because Germans and Czechs have to have their hands free to accomplish the many tasks that are confronting them.

### Statistics on Sudeten German Victims Disputed

91CH0860B Prague LIDOVE NOVINY in Czech  
9 Aug 91 p 4

[Unattributed article: "How Many Were There?"]

[Text] In connection with the negotiations of the Czechoslovak-German treaty, articles have been appearing in newspapers to the west of the CSFR border about how many Sudeten Germans perished during their transfer from Czechoslovakia in 1945 and 1946. Mr. Joachim Raack recently wrote in the FRANKFURTER ALLGEMEINE ZEITUNG that "at least 272,000 of them were brutally murdered." The same gentleman asserts that Heydrich's assassins were hiding in Lidice, something that has been disproved in Germany many times. Other articles give the number as 240,000.

Dr. Paulus Sladek responded in FRANKFURTER ALLGEMEINE ZEITUNG to Raack's letter. He quotes data published by the Federal Statistical Office under the title "German Losses During the Expulsion—Accounting of the Inhabitants of Territories From Which Germans Were Expelled Between 1945 and 1950." It refers to the census of 30 September 1950 and comes to the conclusion that "the fate of 238,000 Germans, 225,000 from Sudetenland and 13,000 from Ruthenia, is still uncertain."

Dr. Sladek thinks that during the course of five years the larger part of this number "died prematurely in their new homes as a result of the physical and psychological effects of the expulsion." It cannot be denied that after the war Sudeten Germans came to a Germany that was in disarray, to a territory overcrowded by refugees from Poland and East Prussia. The local inhabitants often thought of them as intruders. Older people and children had a very hard time coping, mortality was high, and the suicide rate among Sudeten Germans was quite likely also higher.

However, Dr. Sladek wanted to find more definite numbers, and he therefore studied the so-called Heimataortskartei of the Caritas organization, where he learned that 5,596 Sudeten Germans perished as an immediate consequence of the expulsion. Even though in the next part of his article he relativizes his data and admits that there may have been several times that number of dead, his approach is nevertheless worth noting. If the Czechoslovak statistics were to go back to the year 1950, the numbers of war victims on our side would certainly be also much higher.

### Endorsement for Havel's Election System

91CH0860A Prague REPORTER in Czech  
21 Aug 91 p 2

[Article by Dr. Petr Harmanec: "What Kind of Society Do We Want?"]

[Text] A peculiar situation has developed recently: In neighboring Poland the parliament insists on an election law that puts emphasis on individuals, and President Walesa is trying in vain to push through an election system that places priority on political parties. Here, on the other hand, the acrimonious rivalry among the new political parties and mini-parties is escalating, and President Havel appears to be—at least among the politicians—a lonely warrior advancing the proposition that we should elect individuals of clearly defined character.

Being an astronomer, I had the opportunity to visit a number of countries, and I would like to give here my reasons why I am unequivocally in favor of the electoral system advocated by President Havel. I am convinced that the quality of life of a society depends to a great extent on how well its course in all areas is organized. I am so bold as to claim that it was precisely the higher organizational level that contributed to the better living standard of socialist Czechoslovakia than was found, for example, in Bulgaria, and similarly, that a perfect organization of the running of its affairs contributed to Japan's economic miracle. But the problem is that no society has an unlimited organizational capacity. At the same time, many contemporary societies are squandering this capacity to an unbelievable degree. Here until recently this manifested itself in the three-way management of practically every workplace (CPCZ [Czechoslovak Communist Party], State Security, state administration), in discussions of the same things by the CPCZ and the Revolutionary Trade-Union Movement, then for the third time at directors' conferences, in pompous celebrations, in an excessive emphasis on keeping all kinds of things secret, etc. There was little time left then to organize the running of society's affairs. But even the Western democracies are not free from such squandering of abilities. Every Western politician expends a great deal of his energy in political contests with his opponents, television appearances, and the effort to defend his policies before the next elections. If in question is not a person of well-defined ideas and a hefty dose of personal idealism (such people, unfortunately, rarely become politicians), any long-range concepts are usually not in his interest.

But today's world is too complicated, influenced by technology and the availability of quick communications, and is quickly becoming more of a single, indivisible entity. In all spheres of human activity there is need for high professionalism, and to my mind sooner or later there will be no other way than to demand it also from those who make laws or manage state affairs. We cannot overlook the fact that people in civilized postwar societies in the West and the East are experiencing basically

the same problems. It seems to me absurd, therefore, that today we in this country vehemently condemn the idea of any kind of central management, but that at the same time it is fashionable to support ecological projects, which in certain matters practically demand central regulation, and at an international level at that!

All this made me think that democracy is an extremely necessary norm of conduct in relations among people at all levels, but I have serious doubts whether a system of a number of political parties is a suitable and sensible method of guiding society in an ever more complex world at the end of the 20th century. Notice that a party that achieves a majority in the elections usually does what it considers necessary (if not even personally beneficial) for its leader, anyway, not what its voters actually want. Zeman complains bitterly in REPORTER No. 26 that many deputies in the parliament pursue their personal goals, and we hear ever more often calls for personal repentance, better morality, etc. But did not the original communist doctrine fail, among other things, because of its naive belief that it is possible to change the basic traits of human nature for the better? The entire history of humanity after all shows clearly that precisely those traits do not change. Every one of us, consciously or subconsciously, projects his own personal interests into his conduct. It is left up to a person's character and intelligence only to determine how much he is willing and able to realize that even for him it might be useful to suppress his desires or bad traits for the sake of some more general or long-range objective.

But that means that if we want to create a well-functioning society, its rules must take into account the immutable human traits and make them part of the equation. Therefore, I go even further in my views than Vaclav Havel, and I suggest that we think quite seriously about a system without political parties.

I envisage a state with a professional (selected by a strict competition) government, a parliament elected exclusively from among independent individuals, a press, radio, television, and films independent of the government, but even of commercials, therefore subsidized by taxes paid by all of us, and professional and conceptual discussions accessible to everyone. The government would have to be answerable to the parliament and the media, and the role of this opposition would have to be guaranteed by the constitution, same as the independence of the judiciary. (To make an entirely marginal comment: Such a role of the media would likely also help to do away in part with the severe commercialization of culture, and would thus indirectly influence in a positive sense the education of the young generation. I know that here I am voluntarily exposing myself to scathing criticism by zealous advocates of the absolute "freedom" of the press, etc. Careful, please: I am not calling for any censorship, I am merely stating that we must clearly realize that every act has its consequences. Whether we like it or not, films and teleplays, for instance, showing brutality or corruption as something quite normal are in a certain sense instructions for the conduct of some

young people. To put it in more general terms: Freedom and democracy should not be understood as a right to absolute irresponsibility, or as something that should be given in full measure even to immature children. After all, every animal, for the sake of perpetuating its species, first brings up its young and only then lets them go to hunt on their own. Therefore, not even man should forgo these sensible instincts.

I shall close with an urgent call: In the present transitional period and in the atmosphere of a declined morality and political culture it is extremely important what kind of either good or bad system of basic social norms we adopt in Czechoslovakia, and I, personally, do not relish the idea of leaving such a decision only to the politicians. I propose, therefore, to subject the alternative versions of the electoral system and possibly even the constitution (by the way: It is totally beyond my comprehension why one small country must have three constitutions) to a general vote. I consider such referendum to be more urgent at this time than, for instance, the referendum on the state structure of our republic.

### Early Response to Referendum Proposal

#### Rychetsky Presents Rationale

91CH0861A Prague OBCANSKY DENIK in Czech  
13 Aug 91 p 1

[Interview with P. Rychetsky, deputy chairman of Czech Republic Citizens' Movement Council, by Jakub Cisar; place and date not given: "There Is Still a Chance"—first paragraph is OBCANSKY DENIK introduction]

[Text] Relative to Saturday's Citizens' Movement statement on a statewide referendum, we asked the deputy chairman of the Czech Branch for a few comments.

[Cisar] What concrete reasons led the Citizens' Movement to issue this statement?

[Rychetsky] We cannot ignore the fact that the positive conclusions endorsed at the Kromeriz conference by all the decisive Czech and Slovak political forces were soon thereafter cast in doubt by certain political representatives. We believe it is impossible to hold the elections, slated for next June, with the highest legislative body in its present incarnation. Under the constitutional law of 1968; it is a nonfunctional corps, and the constitution, relative to the Federal Assembly, contains a whole string of edicts that we might call undemocratic. The fact that 31 deputies can indeed outvote the remaining 269 on issues covered by the law on majority rule is essentially destabilizing. Nor can we prepare new election laws without knowing whether we will be voting for one or two chambers in the Federal Assembly. The constitutional referendum law sets up two quite different possibilities of a statewide vote. The first is the citizens' right in each republic to clearly express whether they wish to remain in the federation. Under present conditions, such a referendum would make little practical or political sense. We wish to initiate a referendum under Section 2,

Paragraph 1 of the referendum law, namely, a positive and concrete form of the federation we wish to organize. First, it is essential to convoke a political conclave and negotiate among parliamentary political forces on a common formulation of the question to be presented to the electorate. Second, we must speedily adopt the implementation law proper, dealing with the constitutional law on the referendum.

[Cisar] Do you believe you can succeed in implementing these ideas?

[Rychetsky] The referendum should offer a form of fundamental principles of the constitutional system. We want a federation consisting of two sovereign republics, based on parliamentary democracy, i.e., the highest authorities in the federation are the head of state, the federal assembly, etc., the federal government has such-and-such authority, the others such-and-such. This should resolve the problem of competency. If our entire society responds to such questions, I believe this would obviate useless conflicts, such as between the republic prime ministers and individual political forces, since their powers would be clearly spelled out.

[Cisar] In your view, what are the chances for this proposal to be accepted in the Federal Assembly?

[Rychetsky] I believe there is a certain chance, for I feel strongly that the Czech and Slovak National Councils will not be able to reach agreement on the state juridical arrangement, thus creating a constitutional stalemate.

### **Slovak Misgivings Acknowledged**

91CH0861B Prague OBCANSKY DENIK in Czech  
13 Aug 91 p 3

[Article by Peter Schutz: "The Time Is Ripe"]

[Text] It would seem that with its last-minute approval of the referendum law, the Federal Assembly painfully stepped on the horns of the separatist phalanx in Slovakia. Nationalist meetings branded the law a dirty trick and treachery against the Slovaks. The parliamentary parties of more sophisticated separatism speak of difficulties, even impossibility of formulating the referendum question correctly. Prime Minister Carnogursky argues that there is still a chance of reaching agreement among Czech and Slovak politicians, and that the referendum should be used only as a last resort. Thus, we are witnessing an interesting phenomenon, namely, the more "nationalistically" oriented a political force, the more aversion to the referendum. The Slovak Public Against Violence [VPN] strongly advocates the referendum as soon as possible. Other Slovak parties are deviating from their election platforms and threaten to break up the state through some unilateral act in the Slovak National Council [SNR]. These are the words of Jozef Kucerak at the most recent PAV meeting, which directed its deputies to strive for implementation of the referendum in this electoral term. Given the fact that, under the adopted law, the plebiscite must be held at the

latest five months before the next parliamentary election—which in this case means January—this seems a virtually impossible task. Preparation of the referendum will require time, and the crucial meeting of the SNR is slated for September. Even if the Slovak parliament were willing to go along, the problem lies in the formulation of the referendum question which, by law, is the purview of the Slovak National Council. Unfortunately, therefore, it would seem that the "stepping on horns" remains merely symbolic.

Jozef Kucerak knows of what he speaks. In the program of political parties running last year, the word confederation appeared only once. This was in the Freedom Party platform that, with about two percent of the vote, ended up in the ranks of the defeated. It sounds incredible today, but a year ago even the Slovak National Party advocated federation.

In a situation where politicians have abandoned positions on which they were elected, the referendum in Slovakia appears inevitable. To disrupt the continuity of 70 years and abandon a common state would be solely to cater to the opportunism of a large portion of contemporary Slovak politicians; it would be premature and irresponsible. This view is supported by public opinion polls. Despite wishful thinking by representatives of primitive, more sophisticated, and even enlightened nationalism, the profederation percentage of citizens staunchly refuses to fall below 70. This capital must be put to good use while there is still time.

On the other hand, one understands the concern of some Czech politicians on whether two independent states would not be better for now rather than in the year 2000. One thing needs to be said. Not even the referendum will resolve all conflict, but I am convinced that the democratically anchored will of Slovak citizens to remain in a federation with the Czechs will shake the positions of the most radical trends in Bratislava politics, which after the referendum might even be regarded unconstitutional, and dealt with accordingly. Another question is how the Czech public, embittered by the demagoguery from the Danube, will regard the referendum. To Fedor Gal, recently returning from London and warning of unpleasant surprises, I would only say that it would not only be an unpleasant surprise, but for the Slovaks a veritable catastrophe.

### **Left Expresses Doubts**

91CH0861C Prague OBCANSKY DENIK in Czech  
14 Aug 91 p 1

[Article by Jakub Cisar: "Basic Disagreement"—first paragraph is OBCANSKY DENIK introduction]

[Text] As we already informed our readers, the Citizens' Movement, in its release last Saturday, informed us that at the September session of parliament it will call for a referendum to be held immediately. Today we bring the responses of some of the parties of the left.

Ladislav Dvorak, chairman of the Czechoslovak Socialist Party: "The party has already voiced its ideas of our future state-juridical arrangement in our own complex proposal for the constitution. Our goal is a common federated state. While we wish in no way to deny the need for direct democracy, i.e., referendum, we believe that the decision on whether or not to live in a common state should be first resolved by parliamentary means. We consider the referendum the last resort only."

Jaroslav Tuma, deputy chairman of Czechoslovak Social Democracy: "The party is already on record that it does not consider the referendum the best way of resolving the state-juridical problem at this time and in present circumstances. The very formulation of the referendum, i.e., one single question, makes its practical applicability doubtful. It may be anticipated that a majority of citizens would favor a common state, while leaving the actual format of this state unresolved. We are also convinced that in the present tense situation, a referendum will further fan emotions, not to mention its considerable budgetary requirements. Last but not least, it is the democratically elected parliament that should resolve this problem in a parliamentary manner. Therefore, the Citizens' Movement's call for the immediate referendum does not appear to us rational or wise."

Jiri Svoboda, chairman of the Communist Party of Bohemia and Moravia: "The governing coalition has become prisoner of its own political games in which it promoted the false notion of a federation crisis. Now it would like to alter its position, given the fact that citizens, used to playing an honest game, see no problems with a common state. As to the referendum, the question should be whether or not citizens are willing to help the governing coalition to extricate itself from the mess it itself had brewed. We stand for the referendum principle but do not wish to limit it to a single problem. We have already emphasized in parliament that our desire is to maintain people's initiative in any type of referendum."

#### **Idea Grudgingly Accepted**

91CH0861D Prague OBCANSKY DENIK in Czech  
14 Aug 91 p 3

[Article by Petr Fejtek: "Life Preserver"]

[Text] The problem of our state-juridical arrangement is beginning to resemble a flood. The river has washed over the banks and no one knows exactly where water ends and land begins. It would appear that order can be restored only by a referendum based on the recently ratified constitutional law. The referendum is, of course, no cure-all, for it must basically be one simple, understandable question to which the electorate responds yes or no. This is underlined in the law itself, which gives the president the right to return it to parliament if any part of it is not clear. Even if a majority in both republics clearly opts for a common state, its impact will be merely psychological. Already we see many attitudes of

"common state yes, but...." It is not sufficient to opt for a common state merely in words; rather it is necessary to accept all the consequences of a "yes." If this were already an established fact, there would be no need for a referendum, because there would be no problem. For it is a fact that verbally a common state is already advocated by a large majority of political forces in both republics. A referendum affirming the will to live together, followed by the same endless debates on its concrete format, would represent merely the opening of another round of current competency negotiations. The belief that the approach "one state, yes, but with separate banks, armies, foreign ministries, and tariffs" will disappear; it is unfortunately nothing but wishful thinking. A final decision could, of course, be achieved by a majority decision against a common state, but this would be a sad, costly, and undesirable resolution for all concerned.

The latter referendum result, however, is not likely, especially since Article 5 of the constitutional law requires a majority vote for separation. Thus, those who do not participate in the referendum would automatically vote against such a proposal.

After careful consideration, it does not appear that the referendum makes much sense. A negative result which would "clarify" the situation is unlikely given the above procedural requirements. Moreover, even this remote alternative would not resolve all problems. By the same token, neither will a positive vote. Nevertheless, for many reasons, we cannot avoid the referendum. It is clear that the electorate wants it, and an increasing number of political parties is reacting accordingly. While certainly not perfect, the referendum is the only possible way of determining citizens' views on the fundamental question of our state-juridical arrangement. Finally, the referendum is something of a last life preserver, the one serious attempt to salvage the common state. I am afraid that without it the fate of this country is sealed. While its anticipated positive result will not guarantee the continued existence of Czechoslovakia, tendencies toward its breakup will, nevertheless, have been somewhat muted.

#### **Weekly Pessimistic**

91CH0861E Prague RESPEKT in Czech 18 Aug 91 p 2

[Article by Jiri Kabele: "Hopeful Road Into Hopelessness"—first paragraph is RESPEKT introduction]

[Text] The author was born in 1946, is a sociologist, and studied sociology, esthetics, and statistics at Charles University. Currently he lectures on sociology and serves as adviser to Minister of Health M. Bojar.

Czech-Slovak mutuality is slowly becoming a chronic disease. It is, therefore, high time that the political debate on this matter finally move where it belongs, i.e., to the parliament, to later become part of the next election campaign. The deputies, however, are on

summer vacation, and political parties are busy preparing their platforms. In this situation, the prime ministers of both republics would be well advised to maintain silence, while thinking everything over carefully, so as to be able henceforth to express their views more thoughtfully.

Recently, Prime Minister Carnogursky stated that by the year 2000 the Slovaks, independently of the Czech lands, will enter united Europe. The press commented on this profusely, and P. Pithart reacted in a forceful manner, which was also amply reported. A series of other interviews further complicated the situation. The thought processes of the Slovak Prime Minister are not difficult to understand, i.e., if Czechoslovakia is accepted in the "United States of Europe," if security problems are resolved, and we Europeans all become brothers (Czechs and Slovaks, same as Czechs and Germans, or Slovaks and Hungarians), if each lives independently and all become rich, there is no sensible reason why we in the USE (United States of Europe) could not have two stars.

Even though most citizens do not share Jan Carnogursky's optimism, all would surely welcome such idyllic vision. It would be a beautiful finish to the martyrdom that Europe inflicted on the world with two world wars, and serving as a cradle of two such monstrous ideologies as fascism and communism. After all, the United States of America is a reality and is composed of more than 40 stars. The problem, however, lies elsewhere.

If Slovak politicians acted consistently, they would have to—following the example of Great Britain—resist entry into the federation of United European States. If the Slovaks want a sovereign parliament, their own armed forces (by the way, why is the Slovak Minister of Interior calling for a home guard?), and their own currency, to satisfy their emancipation yearnings, then they must make Slovakia a sovereign state. If, by contrast, they wish to accept the civic principles on which alone the United States of Europe can be founded, then they should not be against acquiring a bit of political wisdom in a small federation, the CSFR.

Contemporary Europe is full of conflict, and it is premature to speculate in what future configuration we would be entering. In Yugoslavia, the Serbs are rolling over the Croats, the mammoth Soviet Union threatens to fall noisily into a series of civil wars, the new giant Germany is still trying to find itself, and we too add another conflict with our chronic problems of living together. The question, therefore, is not what sort of state we need to enter the bliss of the United States of Europe, but rather the storms of the immediate future.

The Czech-Slovak conflict represents an unfinished process that cannot be closed in the foreseeable future. Neither side has the courage to say the final word, and the Slovaks, as a nation, probably do not know to this day what that final word should be. We can continue to accommodate and patiently pursue a dialogue, even though we perhaps rightly feel that this leads nowhere.

The only right place for this exchange, however, is the parliamentary debate on the constitution, and, above all, the next elections.

The attempt to resolve the problem with a one-time referendum is very dangerous. Today's parliament, as we know it, will not ratify any direct question that might create a dilemma for our future. The question "Are you for a common state of Czechs and Slovaks?"—which will most likely be answered affirmatively by a majority of Czechs and Slovaks—will resolve nothing. The first place this will be felt is in the constitutional debate in parliament, and later in the election campaign. Even without ill intentions on either side, this can be nothing but another dead end. Jan Carnogursky's comment on the principles agreed upon in Kromeriz (strict differentiation between federation and confederation) only confirms our prognosis.

The hastily-conceived referendum will resolve nothing; rather it will block for another long five years the possibility of separating from one another in a civilized manner. One can agree that a new parliament will ratify a new referendum law, but this may be coming too late, possibly with the assistance of some security commission of the European Community. The referendum cannot be a miracle drug for the chronic disease of our mutuality. Its only positive feature is as an internationally acceptable instrument for our separation. Judging by the words of Czech politicians, none of them, unfortunately, realize the looming danger. They fail to understand that the road of one who is chronically ill is paved with miraculous hopes.

#### **Vavrousek's Solution to Danube Dam Dilemma**

91CH0847A Prague INFORUM in Czech 8 Aug 91

pp 4-5

[Unattributed report: "Gabcikovo-Nagymaros. (A Solution Does Exist!)"]

[Text] [Federal Environment] Minister Josef Vavrousek recently offered to go to Hungary and explain before the Hungarian parliament our government's standpoint regarding the construction of the Gabcikovo power plant. At the Friday press briefing, we had an opportunity to hear directly the minister's views, which are also the standpoint of OH [Civic Movement].

"Gabcikovo-Nagymaros is a very complicated problem that both countries inherited from their respective communist governments. Therefore, this problem must be solved before it has a chance to become a hotbed of conflict that, according to a worst-case scenario, could even mean armed conflict. But this is also a problem on which it is possible to demonstrate the method which Civic Movement, as Civic Forum's successor, intends to pursue: namely, to seek a consensus within the framework of clearly stated human values.

"From the viewpoint of generating electricity, the Gabcikovo project is ideal: more energy could not possibly be



squeezed from the Danube. From the viewpoint of the environment and safety, however, it does have shortcomings. Thus, the project was very one-sided, too engineering-oriented, and failed to take the ecological, political and social interrelations into consideration. In this respect, I am convinced, it is not and was not right to insist on the project's consistent realization. That would threaten primarily our territory: the Slovak left bank, which is significantly lower than the Hungarian right bank, would be threatened the most. In this sense the Czechoslovak standpoint, which the government maintained until 15 July, was wrong. I regard as wrong also the Hungarian Government's standpoint that is based on as resolution adopted by the Hungarian Parliament. It proposes cancelling the agreement, and then proceeding with negotiations to conclude partial agreements, as yet unspecified. Another point is the immediate stopping of all work.

"That standpoint I regard as wrong for two reasons. First, there would be a breach of contract, and no basis for further negotiations. (In the case of such extensive construction projects, it is not possible to cancel the contract and say 'we will see about it in the future.')

Second, construction work cannot be stopped, for ecological reasons. Considerable ecological damage has already been caused during construction, but 95 percent of it occurred on our territory, where 40 square kilometers of the most fertile land to be found in our country has been destroyed. If the construction project were left as it now stands, the damage would continue, because the hydrological regime has changed and so has the microclimate (here 40 square kilometers of asphalt pavement are absorbing [solar] heat). The groundwater also has been affected. Under this area are 15 cubic kilometers of the best drinking water in Central Europe, in its largest aquifer. From this point of view, therefore, the Hungarian standpoint is somewhat selfish.

"Up until 15 July, then, two irreconcilable standpoints confronted each other, and negotiations were deadlocked. (Moreover, huge amounts of financial resources have been committed on both sides, about 17 billion Czechoslovak korunas [Kcs] in our case.) Therefore I felt dutybound to select from among all the bad solutions that could come into consideration the one that is the least bad. During the entire period of preparations and realization, moreover, nobody bothered to ask the local citizens, the residents of Zitny Ostrov [Great Schutt], for their views; and there is still no dialog with them. It is very unfortunate that there are demonstrations, and that they are being suppressed.

"There is, I believe, only one solution: to analyze all solution variants based on all possible aspects, and with the participation of experts from both sides, as well as of international experts and local residents. And in that respect there ought to be a separation of functions. I do not think it is right that one and the same person should be the deputy chairman of the Slovak National Council and also the director of the enterprise that is building the project. In view of the fact that the governments of both

countries signed the agreement, final decisionmaking authority rests with the Federal Government. Within that government, unfortunately, a very pessimistic view prevails about the prospects of further negotiations with the Hungarians. That is why the variant of a temporary solution was pursued originally, one that I consider very bad because it would continue to pose a threat to the drinking water in the aquifer, and also because it would mean diverting one-sidedly an international river onto the territory of our state. At the same time the canal's water intake would be at most 5,000 cubic meters/second, whereas sometimes the river's flow rate is as much as 12,000 to 15,000 cubic meters/second. Therefore the surplus would have to flow in the river's original bed, and I find it hard to imagine that the Hungarians would accept a situation where all the water is diverted to us, but we release a flood to them once in a while!

"That construction project is also a manifestation of gigantomania, because in its dimensions it is bigger than Suez. In 1981 it would still have been possible to halt the project. Today it would be much more difficult to do so, because no solution has yet been found for two basic problems: First, what to do with the huge quantities of bituminous concrete and with the 17-kilometer-long embankments that rise up to a height of 10 meters on both sides of the river. And second, where to find enough top soil to spread over this area. In theory it would be possible to dump sludge here, but municipal sludge from every one of our cities contains heavy metals. A proportion of the stripped topsoil was sold to Austria, and the rest was scattered all over Slovakia. In some places it was wasted."

At the reporters' request, the minister went on to explain some further aspects of the problem. The 17-meter-high dam has a serious impact on a 160-kilometer stretch of the Danube. The river's gradient at Bratislava is still swift, about 40 cm/km, but further downstream it is merely 4 cm/km. To build an equalization basin, as had been originally planned, would be foolish from an engineering point of view. There is a bedrock ridge in this area (the water's depth is merely 1.30 meters), and therefore it is possible to build at Nagymaros a low dam that would overcome the navigational difficulties along that stretch. The decision is one for the Hungarian side to make, but the European Community will obviously exert pressure on the Hungarians, because the Rhine-Mainz-Danube Canal will be commissioned in the autumn of this year.

Without the Nagymaros reservoir, it will not be possible to operate Gabčíkovo, because it is being built as a diversion canal on the left bank. Discharge at peak operation would create waves 3 to 5 meters high, which would cause considerable damage. Furthermore, there is the danger that pollutants carried by the Danube will seep into the groundwater. The entire region is actually a basin 400 meters deep, subsiding tectonically, and filled with sediment.

Therefore it would be possible to dispense entirely with building a big storage lake and merely build embankments on both sides that would raise the water level, without flooding the area. The project originally called for using all the water to generate power. According to a new study, the water requirement of the forests in the region ought to be taken into consideration, and only the surplus water would drive the turbines.

### Slovak Official Views Current Issues

91CH0865A Bratislava KULTURNY ZIVOT in Slovak  
19 Aug 91 p 3

["Excerpts" from an interview with Martin Porubjak, deputy prime minister of the Slovak government, by Peter Sporek and Ivan Strpka; place and date not given: "The Casual Style of the British May Not Be Natural to Us"—first paragraph is KULTURNY ZIVOT introduction]

[Text] We are sitting in Martin Porubjak's living room, watching the deputy prime minister of the Slovak government doing his homework—monitoring the Daily Report of the Czechoslovak Television... The screen presents in sequence three letters from institutions protesting the fact that the television provided a spot in a previous broadcast for expressions of different views about the Gabčíkovo-Nagymaros waterworks.

[Porubjak] Please note: each of the authors of those letters presents arguments which in essence do not attempt to argue his own facts but rather to slander the television network because he thinks that it should not have let anybody else express his or her ideas. It is not a matter of "let me defend my view," but "don't let others speak!" This is a typical psychosis in which we now live and which simply follows from our underdeveloped political culture. Just think of a similar situation that took place several years ago in Hainburg, Austria. Police brutality occurs more frequently in Austria than in our country; the conflict in that particular situation was far more intense, but I simply did not feel that Austrian society regarded that particular local conflict as a society-wide catastrophe, much less a nation-wide threat, as is now the case in our country. In the end, that conflict—intense though it was—was objectively reviewed and resolved.

[KULTURNY ZIVOT] You were 24 years old in 1968. The issues discussed in those days were federalization and democratization, while the current issues are our constitutional system and democracy. Back then the Slovak public was split in a certain way and now it is split again. Do you think that there is some logical pattern or similarity between the two periods?

[Porubjak] In essence, 1968 was the "year of a revival, the year of the party" and so it was reflected, above all, in the policies of the communist party which acted, however, increasingly under public pressure. Although the one-party system remained essentially unchanged, profound differences began to appear within the party.

The Euro-communist or if you will, the progressive movement gravitated toward a program which we may call with a certain license social-democratic. The communist leadership was split, particularly in the Czech lands, between conservatives and let us say, the Euro-communists—the more progressive, more liberal communists. Nevertheless, we must not forget that many individuals in the CPCZ [Communist Party of Czechoslovakia] Central Committee and in the CPSL [Communist Party of Slovakia] Central Committee were from the era of Zapotocky and Novotny and even of Gottwald. However, at the turn of 1967-68, almost all Slovaks in the CPCZ Central Committee jumped on the bandwagon of the "nationalist movement" in opposition to Novotny. Bilak turned out to be just as much a "nationalist" as Dubcek, yet they were completely different. Still, at that point, Slovak unity based on the nationalist principle acted as a positive factor, and included the representatives of the orthodox Stalinist faction that was simply condemned to disappear from history. In fact, I feel even now that quite often the support for the radical nationalist and extreme separatist movement comes precisely from individuals with a dark past, who—if I may say so—have skeletons in their closets and who think that if Slovakia were to become independent, nobody would poke into anyone's past or question what kind of a democrat one may be, but above all, ask whether he is a good Slovak; no need to mention that under their Slovak nationalism they often conceal their past involvement in the StB [State Security], as we witnessed last April during the attack on the building of the Slovak National Council.

[KULTURNY ZIVOT] The national principle calls for some unity. For instance, a published view authoritatively maintained that, as a rule, the federative system eliminates the democratic function of a multinational state which inevitably must be centralist. What is your view about that?

[Porubjak] That is nonsense because, let us say, one of the oldest multinational democracies, Switzerland, in fact operates according to the principle of federation and participatory democracy, and its communities are self-governed to a considerable degree, to the extent that the towns are divided into individual independent districts where regular matters are decided by referendums. Individual cantons have considerable autonomy and yet, that society is solidly united and democratic. It is a real federation of several nations: Italians, Germans, French, Rhaeto-Romanic speakers... So I think that the allegation you mentioned will not hold water. The opposite is true. If the federation is an attribute of democracy, then the system may be very stable because it promotes tolerance and better mutual understanding. I don't know which Czech writer said that the Czechs need the Slovaks in order to realize who in fact they are; that is just as valid the other way around, of course, so long as it does not lead to blind jingoistic judgments on both sides. A confrontation (economic, political, and so on) of views and attitudes "from the outside," or rather, "from aside"

is wholesome if a critical corrective from the other side, from the viewpoint of an equal and sovereign allied nation, is applied. And if that happens under democratic conditions in one state system, then both sides benefit.

[KULTURNY ZIVOT] We have often heard the view that a good state is one that provides us, through a good government, with as many advantages as possible or, best of all, that gives us everything. As a member of the government, how do you rate the existing state controls or charity financially supported by enterprises?

[Porubjak] From a rational point of view, I realize that equal rules should apply to all, but on the other hand, people frequently face a dilemma of moral responsibility even though often a moral decision may be objectively and economically wrong. Quite a few industrial enterprises in our country are acting like a little girl who runs and takes cover under her mother's skirt at the slightest provocation. For a child it is natural, but if a 40-year old daughter acts that way, it is a bit of an abnormal reaction. We are facing a somewhat similar situation and our infantile behavior also follows its logic. We simply have not grown up and matured enough to make independent decisions. Deputy Prime Minister Vavro recently offered the following example: An enterprise in eastern Slovakia finds itself at present in a difficult predicament (it needs to find foreign investors, to alter its production program, etc), so some of its personnel sent him a request that he ask President Havel to include a representative of their enterprise in all governmental delegations traveling abroad. That allegedly would help them obtain some foreign aid. If every enterprise would act that way, then according to Vavro, Havel would be traveling with a whole squadron of airplanes! Obviously, such an idea would never occur to a Swiss enterprise. In that country there are agencies that mediate business contacts, data banks... And those enterprises are used to making independent, sovereign decisions.

[KULTURNY ZIVOT] ...And consequently, that is one of the reasons why the government occasionally adopts such policies and why it issues incredibly quick decisions?

[Porubjak] Policies made hastily under pressure often remind me of my experience when once my son and I capsized in a boat on the Hron River. The current swept away everything I had with me. I saw my shirt, sweater and slacks floating away and I had to make a decision. I was holding my son with my right hand—with a slash in my palm—and so I had to use my left hand to save something—not the slacks which were old, not the shirt, because I had another in my backpack, but I had only one pullover! And so I grabbed the pullover.

Of course, it is important to see clearly what is of priority importance. Our priority is the reform which has a purpose and which most people in the government are convinced will be successful. However, the choice between the pullover and the slacks is not a choice of priority. The essential fact is that I should not have

capsized; in that case I would not have been forced to try to save anything and to choose between my pullover and my other clothes.

[KULTURNY ZIVOT] We constantly see some obstacles ahead. We are quite unwilling to "accept" that they may be the outcome of the broken-up ice flows from the past. In this context, do you think that it still may be possible—the political development in the USSR notwithstanding—that a totalitarian party may reappear in the near future?

[Porubjak] I hope that it will not be a totalitarian party in the communist sense—much less so in a criminal form along the lines of the 1950's—though it is obvious that a party of a state-totalitarian type may emerge. As for us, at this moment, we do not consider it self-evident that the state should be nothing more than a kind of administrative agency and not a power institution, and that it should serve as an organization essential for management of practical matters. It seems that we still are harboring a Byzantine concept of the state as a powerful guardian and punishing father who authoritatively makes all decisions for us, takes care of everything, and runs everything. It is but a short step from that notion to the need to have a strong leader. Precisely that certain deification of the state, which we still harbor, poses the threat of expanding state powers—the threat of state totalitarianism.

To complete the picture, I should like to offer the following example. The minister of the interior proposed recently a new type of identity card that would include only the birth registration number and the name, as customary in other countries. However, the director of the bureau of statistics immediately objected because, after all, there must be references concerning the employer, the children, the wife (how else would hotels ascertain whether the guests are really married), and so on.

[KULTURNY ZIVOT] And the constitution...?

[Porubjak] During her recent visit in Slovakia, the U.S. Ambassador was accompanied by Mr. Pell who in the late 1940's had served as the first U.S. consul in Bratislava. He asked me about our constitution and about relations between the Czechs and the Slovaks. I tried to explain to him how some people in our country view the situation and how others see it. He asked me the following question: "What would happen if you did not have a constitution?" Seeing my bemused look, he added: "The British have not had a constitution to this day." I thought aloud: Well, that may be because they are an old democracy; they simply are used to living in a democratic system, have a completely innate respect for it, and need no additional constitutional guarantee of their system. He said: "On the other hand, Israel has no constitution, but that is because they still cannot agree on their constitution."

In conclusion he added: "If you cannot come to some agreement at this point, then just promise yourselves

that you will give it another try, let us say, in five years. And simply go on living in the state you have here, because that would be the most sensible solution, should the adoption of your constitution turn into a tug of war and lead to constant conflicts or, heaven help us, to a civil war."

I believe that he is right. I really do not understand why certain issues that cannot be resolved at this particular moment cannot be put off for another time. However, I am afraid that we lack the casual British style. In our country such a problem is presented as a question of life and death. Even the law on language was touted as a question of the Slovak national survival or death, as though we had not survived invasions by the Turks, Tatars or Hungarians even without a law on language. This dreadful deification of institutions and trust in them, in institutionalization, in any written contracts furnished with official seals, remind me of a situation where no one can imagine a marriage without a certificate from the church or from the civil registrar. If some people live together just because they like each other, and heaven forbid, if they make love—that is open to suspicion! However, it should be even more open to suspicion if they were to need some kind of official papers just to live together.

### Views About Slovak National Guard Differ

#### Author Explains Idea

91CH0851A Prague RESPEKT in Slovak 4 Aug 91 p 4

[Interview with Jan Klepac, deputy chairman of Slovak National Council, by Istvan Leko—place and date not given: "Just a Couple of Old Fighter Planes"]

[Text] [Leko] Why did you propose that a national guard be organized in Slovakia?

[Klepac] I suggest that a Slovak national guard be organized. I submitted a proposal that a national guard be organized. I think that a national guard should exist in every democratic state for a simple reason: It mobilizes citizens to maintain order in the region where they live. The tasks as well as the numerical strength of police and armed forces are specified in the democratic countries. Under certain conditions—as, after all, even our president has confirmed—the army cannot be deployed because in a democratic state its deployment would be inappropriate. And police forces in some situations are not adequate.

[Leko] What specific situations are you referring to?

[Klepac] It may be a problem of the refugees, mainly those from the USSR. At this point no one can tell how large that wave will be, whether it will amount to hundreds of thousands or to millions. A mass movement of those people may also lead to some looting, to violence, and to acts which regular police corps will not be able to control.

Another problem is the surge of criminality; for instance, there have been some Gypsy pogroms and some Skin-head pogroms, during which all the police were able to do was to stand by.

However, certain facts that are now also coming to light could justify the institution of the national guard. For instance, the Association of Slovak Soldiers has alleged that the relocation of the troops from the Czech lands to Slovakia is proceeding very sluggishly, and even that various objective and subjective impediments are being sought in order to slow down that process. The Slovak air space is protected by 18 fighter planes and even those are of some second-rate type.

[Leko] Who is supposed to provide the arms for the national guard, and who would control it?

[Klepac] It may be under the control of our government. However, I am not an expert on defense and security policies. In the Slovak National Council I am in charge of foreign relations. I did not submit any draft of the law, all I have done was to move that the Interior Ministry initiate steps in the legislature for the drafting of such a law and submit it for discussion to the plenum. I hope that no one will think that in a democratic state a national guard may be organized on the basis of one deputy's suggestion. I should like to underscore especially the fact that although the plenum where my motion was presented had met on Thursday, Minister Holcik did not set off an avalanche against me until Sunday night, after he had pulled together all correlations connected with the concept of national guard. His imagination exceeds very much the imagination of our mass media.

[Leko] Nevertheless, it seems that Slovakia's citizens also are very imaginative. According to our information, people in Slovakia are signing appeals and organizing ad hoc petition committees in support of your proposals. That may "set off an avalanche" against Mr. Holcik.

[Klepac] I come from Bratislava but I am learning about that in Prague. No one has informed me of any such efforts. I received a considerable amount of letters both for and against. At any rate, I think that it would help to have some public discussion about this issue.

Mr. Pittner, the interior minister, who defends this idea is convinced that experience will prove that it is imperative to organize a national guard. Naturally, he was referring to Slovakia but I think that it would be a logical step for the Czech lands as well.

The plenum of the Slovak National Council turned down my suggestion. In essence, all the talks about it amounted by and large to nothing more than a discussion. However, I do think that so long as the situation demands it and if my suggestion brings about a major reaction on the part of our citizens, the Slovak Ministry of Interior will provide the initiative.

### Slovak Daily on Background

91CH0851B Bratislava SLOVENSKY DENNIK  
in Slovak 7 Aug 91 pp 1-2

[Interview with Col. Jan Repasky, military expert at the Eastern Military Circuit Command, by Imrich Modrocky; place and date not given: "The National Guard from a Different Angle"]

[Text] The smooth surface of our public opinion was recently all stirred up by a controversy concerning the national guard. Ever since Jan Klepac, first deputy chairman of the Slovak National Council, introduced this issue, and prominent representatives of our public and political life expressed their views about it, the Czech and Slovak mass media have been offering various reactions to it.

[Modrocky] With all the controversies and debates going on, it often seems to me that all that is done in an incompetent manner, especially when, for instance, the national guard is compared to Hlinka's Guard or to People's Militias. Thus far, the readers, radio listeners, and television viewers in Slovakia (although we do not underestimate any of them) have not received appropriate explanation about what a national guard is, and what is the correct meaning of that term. That is my opinion. Or am I wrong?—I asked Colonel Jan Repasky, a military expert at the Eastern Military Circuit Command.

[Repasky] You are quite right. Whenever I read in the newspapers some of the responses, it seems to me that some people are speaking about things they do not fully understand. You mentioned already that they are comparing the national guard with Hlinka's Guard or with People's Militias. I read in NARODNA OBRODA recently that the national guard is a new political term. What kind of a new political term is it?

After all, national guards have existed as long as armed conflicts. To properly comprehend the real character of national guards, we must take at least a cursory look at history and learn about the structure of armed forces in modern states, their military doctrine, strategic military concepts of defense, the system of building up and training of armed forces, as well as the territorial build-up.

[Modrocky] It may be difficult for our citizen to understand the problem of the national guard for the very reason that our state actually had not had any national guard since 1920. Hlinka's Guard and People's Militias were nothing less but armed units of the ruling political parties. Let us take a look together, Colonel, at what history—history of wars, military arts of armed forces and literature—has to say about this matter.

[Repasky] In fact, national guards existed even before regular armies. In primitive societies already members of a family, tribe, or community had to defend themselves against their enemies. They formed a kind of primitive

national guard. In slave-holding and feudal societies, land defense guards complemented armed forces of kings, lords, towns, and castles. The first real land guard in our country was organized upon Maria Theresia's order in Bohemia and Moravia in 1743. During the French Revolution, La Garde Nationale, that is, a national guard, was established.

With the appearance of mass armed forces and especially after the introduction of military conscription, the land guard was reshaped. Not only did it serve as reserve for regular armed forces but its task was to protect their rear guard, communications and transportation, evacuate casualties, and defend its territory. The land guard in Austria-Hungary obtained a legal status in 1886.

(After the Austro-Hungarian settlement, armed forces were divided into joint military and naval forces of the entire monarchy, and into land guards—territorial armies—of Austria and Hungary.)

Landwehr, the Austrian national guard, was subordinated to its own ministry in Vienna, and the Hungarian national guard, the Magyar Kiraly Honved, to its ministry in Budapest. The original task of both guards was to assist joint armies in military actions on their territory. Outside their territory they could be deployed only if the legislative bodies of their territories so permitted. That role was later assumed by the national guard.)

Czechoslovakia's national guard existed during a very short period. The 55 battalions of the national guard (about 60,000 men) were organized from among the Czech and Slovak prisoners of war in Italy. After their transfer to our country, Czechoslovak military law No. 193 of 1920 abolished the national guard. In publications about M.R. Stefanik we can read that just before his flight home he reviewed the battalions of the national guard in Gallarate.

National guards played an important role in World War II. A more than one-million-member strong national guard defended the British Isles. During the war the Soviet Union covered the rear flank of its army with 4 million members of its civilian national guard and additional 2 million of them strengthened the frontline troops.

I should like to add to this brief overview of national guards' history that in 1889 the Hague conference on the laws and practices of military strategy regarded national guards as a full-fledged contingent of regular armed forces.

[Modrocky] What is the place and what are the tasks of national guards in the armed forces of modern states at present? On what grounds were they organized?

[Repasky] Those grounds stem from financial and economic considerations. It is inexpedient to maintain an enormous standing army in peacetime. The costs of modern technology and training of experts and specialists have been rising year after year. Therefore, state

governments and army commands are using territorial armies—defense or national guards—to solve the problem of complementing, building up, and training of reserves, defending their territory, protecting the rear of their regular forces. The United States has its National Guard, the FRG the Territorial Army, Austria the Landwehr, and Britain the Territorial Army or the Republican Guard. Sometimes the names differ but in each case it is a national guard.

[Modrocky] What could you say about the National Guard in the United States?

[Repasky] Actually, it is armies of the individual states in the United States. It is directly under the governor's control. In case of a military alert, it is under the president's control but he acts through the state governor. Its main task is to aid regular forces in states of emergency, defend the territory of each individual state, and assist in case of natural, industrial, and ecological disasters or racial and ethnic disorders. The National Guard has its units in the army and in the military air force, and has organized reserves for special forces as well.

[Modrocky] During his recent visit in the CSFR the FRG Minister of Defense G. Stoltenberg stated that there is no national guard in any of the federal states. You allege that the territorial army in the FRG is in fact a national guard.

[Repasky] Mr. Stoltenberg answered the question the way it was asked. It is true that individual provinces in the FRG do not have their own national guards, but then the FRG is not a multinational state. In addition to field troops, the FRG land army also has a territorial army consisting of units, formations and individual home guards.

[Modrocky] What about our neighbors—Poland, Hungary?

[Repasky] Our neighbor to the north has a national guard which, together with the state anti-aircraft defense and the civilian defense units, constitutes an army for territorial defense. The Hungarian Republic has only a small territorial army at present.

[Modrocky] As a military expert, how do you view the potential formation of a national guard? Would you support it?

[Repasky] After the breakup of the Warsaw Pact a new security system must be created in Europe. In my opinion, territorial armies must be organized as independent units. Special or land armed forces will play a decisive role in the defense of our state against foreign enemies. However, should weapons of mass annihilation be used, then territorial armed forces must protect the sites and the population of a territory.

[Modrocky] What other facts, in your view, would justify a national guard?

[Repasky] The army's increasingly assertive professionalism. National guards are more cost-efficient. In addition, national guards have the advantage of a close bond of its members with their territory. A defender will be more determined to defend his country and his community than a soldier deployed from some other region. Furthermore, the idea of national guard is also more in step with the European concept of defense.

[Modrocky] What arguments are against it?

[Repasky] Obviously, a lower level of military preparedness and specialization on the part of members of the national guard, as well as the fact that we have no experience with national guards in our country. In addition, our citizens feel an aversion against all additional armed organizations.

[Modrocky] Thank you for the interview.

### Czech Weekly Critical

91CH0851C Prague RESPEKT in Czech 4 Aug 91  
pp 2-3

[Article by Jaroslav Spurny: "National Guard: Still Another Slovak Idiosyncrasy"]

[Text] A couple of months ago certain Slovak nationalists discovered Slovenia. They saw that state's struggle for independence as an example for their own republic. It seems that it was precisely the role of the Slovenian national guard in its fight against the Yugoslav army that inspired the vice chairman of the Slovak National Council, Jan Klepac (Christian Democratic Movement-KDH), to propose that a Slovak national guard be organized. Of course, he failed to explain what exactly he envisioned under that term. All he said was that such an organization "should serve to enhance the security of every citizen of the Slovak Republic and that it was not aimed against anybody or anything."

### Refugees, Anarchy, Vandalism

To date we have not heard from the Slovak side a single word about how the national guard should be codified in our federal constitution, whether there exists as much as an outline of the law pursuant to which it should be enacted, who would bear its cost and supply it with arms, and whether the Hungarians, Ruthenians, Jews, Ukrainians, and Gypsies will also be able to serve in it. We do not know whether it will be a professional force or an organization along the lines of civil defense. All we know is that some Slovak politicians are promoting the concept of a national guard, but their notions about the reasons why it should be organized differ and in all probability are nothing more than improvisations on a given theme.

L. Pittner, the interior minister of the Slovak Republic, believes that the refugees from Romania and the Soviet Union will overwhelm Slovak towns, that anarchy will ensue, and that vandals will wreak havoc. For that reason it allegedly may be expedient to draft a law

establishing a national guard that would deal with said problems. P. Socha, chairman of the Slovak Soldiers' Association, thinks that our federal agencies are not interested in Slovakia's defense and that the organization of a national guard would resolve the question of the performance of basic military service by Slovak draftees. Prime Minister J. Carnogursky also stated his attitude: In his view the issue of the national guard will not become urgent until next year although it could be even this autumn. That is all.

So far neither the Slovak government nor the parliament has discussed the national guard.

### It Is Nonsense

Minister of Defense L. Dobrovsky expressed his opinion about the idea of a national guard, saying that the purpose of such an organization is always to fight against foreign enemies, and that in Slovakia our army is quite equal to that task. For that reason we asked some other politicians involved with armed forces for their views about the Slovak initiative.

General Major J. Pezl, chief of the General Staff of the Czechoslovak Army: "I think that it was a flash in the pan. The Slovaks failed to come up with any specifics that could serve as a basis for discussion. However, the idea that a Slovak national guard should be organized as an independent armed formation is dangerous for the future co-existence of our republics. It also would bring about quite a few problems for the legislation."

Jan Ruml, first deputy minister of the Federal Ministry of Interior: "It is above all a political issue. The notion of the organization of a national guard is not based on reality. Even L. Pittner does not know today what the national guard would do should there be problems with the refugees from the Soviet Union. After all, that is a concern for all of Europe."

The Czech interior minister, T. Sokol: "I can only speak for the Czech lands. I see neither a reason nor a situation that would justify the establishment of that kind of an institution. I certainly shall not propose any such thing."

### The Shadows of a Hot Summer

In the fall the Federal Assembly will discuss a law on Czechoslovak armed forces. Some among the Slovak politicians may (and probably will) insist that it include a reference to the national guard. The Slovak National Council may also independently adopt a law on national guard, which would upset the balance in the deployment and organization of the armed forces in our republics. The charge that our federation is not interested in Slovakia's defense is not true: it was decided to deploy in Slovakia nearly 40 percent of all our military equipment and of the members of our armed forces, and their transfer is already proceeding at full speed.

Two weeks ago Jan Klepac declared that the ongoing "nation-wide discussion" about the formation of a

national guard would compel the Slovak Ministry of Interior to pursue that issue systematically. "Nation-wide discussions" have taken place in Slovakia on several previous occasions—they were reflected in debates about the language law, competencies, and conversion.

It seemed almost as though the bell had already tolled for such Meciar-like stratagems, but now a certain wing of the Christian Democratic Movement [KDH] has obviously adopted the same methods. Thus, it does not seem entirely impossible that we shall have Slovak courts that will overturn decisions made by Czech courts (as in the Slusovice case), an independent Slovak bank issuing currency, independent laws, and so on, and that all those achievements will be defended—against our federal army (which has a relatively higher share of Slovak officers)—by the Slovak national guard. Nevertheless, let us hope that the Slovak minister for foreign relations, P. Demes, was closer to the truth when he made the following comment about Klepac's motion for a national guard: "In this heat it should not surprise you at all if some deputy comes up with such a brainwave."

### Need for Slovakia's New Image Stressed

91CH0822B Bratislava SLOVENSKY DENNIK  
in Slovak 3 Aug 91 p 1

[Commentary by Anton Balaz: "To Take Offense Is Not Enough"]

[Text] Milan Knazko, the former minister of international relations, is not the only one offended by an article that appeared in THE TIMES of London. In addition to the statement that Knazko found offensive ("the reprehensible coalition of Slovak separatists and former Communists, led by V. Meciar"), the author of the article denigrates and libels our present efforts to assert, and to gain recognition for, our national sovereignty. He does so by emphasizing the admiration Slovaks have for Jozef Tiso.

However, besides being offended—a feeling which I share with Milan Knazko—by the British journalist's article, it also inspires me to state the following fact: Most foreign correspondents accredited in Prague, Vienna and Budapest are of leftist liberal orientation. They show a clear preference for founding a state on the civic principle, rather than on the national principle, and are thus in favor of retaining the CSFR as a unitary state. Therefore also their trips to Slovakia are motivated by a desire to discover political forces and politicians (always easy to find on Venturska Street) who subscribe to the same principles, and to "unmask" the forces, political trends and politicians that are in favor of the unitary state's disintegration, are fostering nationalism and separatism, and are very firmly attached to the past.

To prove that this experience of mine is not merely a theoretical conclusion, allow me to cite the following example from a recent meeting with a large group of foreign journalists in the Modra Harmonia. The correspondents of the world's largest news agencies and most



influential daily papers received with great reservation, and even with an obvious lack of comprehension, the arguments advanced by V. Meciar, J. Prokes, and J. Markus regarding the efforts of Slovak political representatives to gain equal status for Slovakia within the republic and in a broader European context. And then they expressed their lack of comprehension in the articles and reports they wrote about Slovakia. The editor of THE TIMES was among them.

Thus our political representatives are faced with the urgent task of building a new image for Slovakia. But in doing so, they must accept at least partially Western public opinion that is being shaped at present by the very journalists mentioned in this commentary.

### Outsider Views Problems of Minorities

91CH0822A Bratislava KULTURNY ZIVOT in Slovak  
30 Jul 91 p 8

[Article by Professor Paul Robert Magocsi of Toronto: "Central and East Europe's National Minorities Today and Tomorrow; 15 Minutes of Fame and That's It!"—first paragraph is KULTURNY ZIVOT introduction]

[Text] The author of the following essay is Paul Robert Magocsi, the scion of Ruthenians who had emigrated from east Slovakia. He is a professor of history and political science, heads the Chair of Ukrainian Studies, University of Toronto, and is the director of the Multicultural History Society of Ontario, located in Toronto. Professor Magocsi is the author of *Shaping of a National Identity. Subcarpathian Rus, 1848-1948* (Cambridge-London, Harvard University Press, 1978) and many other works.

The revolution of 1989 has brought Europe new hope. The Berlin Wall has toppled, the Iron Curtain is rent, and the decades-old artificial division of this continent seems finally to be ending.

### Money

What are the consequences of 1989 for the national minorities in the countries of East and Central Europe? Has the longed-for freedom improved their situation? The answer is: Yes and No. It is affirmative in the sense that individuals now have a right to express themselves without fear; to openly attend services in churches, temples or mosques; to be private entrepreneurs, for the purpose of improving their own economic situation; or to travel abroad, specifically to countries that until recently were known only as "the capitalist West," in the pejorative sense of that label. But the answer is negative if we consider the situation of the national minorities as groups. That is due to the policies of the countries in question. While the individual members of national minorities in Central and East Europe are now able to live much more freely, the national minorities as groups are beginning to lose the kind of support they have been

enjoying up to now from the communist regimes, which not only controlled but also protected them for more than four decades.

To maintain the cultures of national minorities certainly costs money, and that is one of the keys to understanding why the situation of the national minorities inevitably is changing, partially for the worse. In the final outcome, revolution in Central and East Europe was accelerated by the need for economic as well as political changes. It was a stagnating economy that led Gorbachev to call for perestroika. Openness (glasnost) and democracy were intended to make the restructuring of the economy possible.

Czechoslovakia is struggling to rebuild its obsolete industrial infrastructure, which incidentally is one of the biggest sources of destructive environmental pollution in Central Europe. If it wants its products to remain competitive in the world market, can Czechoslovakia still afford to spend hundreds of thousands of korunas each year on supporting the personnel of theaters, museums, publishing houses, broadcasting systems and even schools, merely because these institutions serve the national minorities?

Now when economic reality is forcing an end to keeping artificially low the prices of bread, milk and cheese, which are doubling if not quadrupling, why can't the subsidies intended for the national minorities be reduced as well?

Actually, the budgets for the activities of the national minorities in Czechoslovakia, Poland and Hungary have already been reduced, and further cuts are expected. In short, the time is long past when the livelihoods of a national minority's intellectuals were ensured lifelong, merely because they toed the communist party's line. Like in the West, intellectual activity must be well established, and it must also be self-supporting to some extent, even if not entirely.

### Politics

If the economic factor is one of the keys to explaining why the revolution of 1989 has contributed toward worsening the situation of the national minorities, politics is the other key. As evident from the coverage of the revolutions in Central and East Europe, nationalism has become an important factor there. Poland, Czechoslovakia, and Hungary discovered what national pride and independence really meant only when they got rid of their communist governments which, although their very own, were able to exist only because they were kept in power for decades by an external force, namely the Soviet Union. The external force insisted on keeping that comprehensive national pride—whether of the Poles, Hungarians, Romanians, or Bulgarians—under control; in accordance with Lenin's nationality policies, it also placed great emphasis on protecting the interests of the national minorities living on the territory of the given countries.



Today, in the period of exploding national self-awareness that every country in Central and East Europe is going through, we gain the impression that the protection or care of national minorities is a legacy from communist times, an economic burden on one hand, and humiliating for the nation on the other hand. After nearly a half century of external political pressure, why can't Poland belong to the Poles, Slovakia to the Slovaks, Hungary to the Hungarians, and Serbia to the Serbs? Why do the state-forming nations as such still have to provide for the needs of their Ukrainians, Romanies or Albanian minority? Such attitudes go a long way toward explaining the negative and even well-known racist views that Hungarians have about their Gypsy minority; Romanians, about their Hungarian minority; and the Serbs, about their Albanian minority. Even the Slovaks are becoming less and less tolerant of their own Hungarian and Ruthenian-Ukrainian minorities, while they themselves are proclaiming the need for complete equality with the Czechs. And the Czech public likewise seems to have little sympathy for the remnants of its German minority, despite Vaclav Havel's consistent efforts to bring about a reconciliation.

But if the above analysis is correct, then what will the postcommunist era bring the national minorities of Central and East Europe? Will these minorities be absorbed by the larger national groups that dominate the state in which they are living? Or are the unfulfilled demands of the national minorities destined to become a source of continuous destabilization, in a region that can ill-afford destabilization?

### The European 12

It appears that a solution to the problem does exist, and 1992 is the solution's symbol. That is the year when 12 countries of Europe will be launching an experiment for which they have long been preparing, and let us hope that their experiment will be crowned with success. In the new economic and the limited political union these countries are to form, the significance of state borders will inevitably decline.

From the 19th century on, the national state began to be considered the optimal formation for social and economic development. Unfortunately, Europe's (national) states are based on the false assumption that only one nation, united by a common language and culture, is living—or ought to be living—in each state. Because that has never come about, the assumption has been maintained by means of government decrees or through the educational system. That way the multinational states such as Great Britain, France, Italy and Spain have tried to absorb their Scots, Welshmen, Bretons, Alsations, Basques, Catalans and other national groups, with varying success. That process has never ended, although the efforts have been directed toward political, social and cultural concentration into bureaucratic complexes in the capitals of those countries—London, Paris, Rome, Madrid, etc.—at the expense of their national and regional minorities.

After 1992, it will be possible to consider more realistically three levels of sociopolitical organizations: 1) the pan-European level; 2) the national-state level; and 3) the regional level. Up to now the middle or national-state level has been the most important. Its significance will decline in the future and will be replaced by the pan-European and regional levels. This scenario may be regarded as a return to the Europe of the Middle Ages. In other words, to a Europe in which Scotland will be able to cooperate directly on economic matters with Provence, and Flanders with Lombardy, without having to do so through their artificial centers and capitals, London and Paris, and Brussels and Rome, respectively. And what is even more important, decisions on economic and cultural questions—including the question of what language should be the language of instruction and the official means of communication—will be made locally in each of those regions, and not by bureaucrats in the capitals of the national states.

### Language

All regions within the new Europe ought to be equal, and no language or culture that at present symbolizes a national state—be it English, Dutch, German, French, Castilian Spanish, Italian, or Greek—should dominate the languages (Scottish, Welsh, Frisian, Breton, Catalan, Macedonian, etc.) that at present have the status of minority languages or have not even been recognized fit to exist.

There is another aspect to the language question that at first glance might seem a threat both to the so-called dominant and the subordinate languages. The trend toward European unity, not to mention the world's evolution in the direction of the "global village," has created the imperative, the need for a lingua franca of the kind that Latin was in Europe in the Middle Ages and at the start of modern history. By chance, English has already become the "new Latin." Before the European reader, proud of his European culture, becomes embarrassed by this statement, let him remember that this "new Latin" is not the vocabulary merely of Great Britain; English is being used, as their native or official language, also by more than 90 percent of the estimated 750 million people in the world living outside the British Isles.

But far more important is the fact that recognition of English as the "new Latin" could also strengthen the position of what previously were "minority languages." A Basque, Catalan, or Breton would never again have to say that he is stopping to waste time on learning his own language, simply because the knowledge of French or Castilian Spanish guarantees his educational and socio-economic mobility, within as well as outside his own region. In the Europe of tomorrow, knowledge of the new Latin—i.e., of English—will be of paramount importance after mastering one's own language. Almost by default, Catalan or Breton will thus attain the same rank as that of Castilian Spanish or French, because English rather than the state language—Castilian Spanish and

French, respectively—will be the practical language of communication for each of these nations. Just as within the three-level model of sociopolitical organizations the importance of the pan-European and the regional entities will increase, with the adoption of English as the modern lingua franca the prestige of the regional languages will actually be enhanced, and they will enjoy a status equal to the official languages of the national states in which the regions are now located.

### Borders

But what does all that have to do with our problem, the future situation of the national minorities in Central and East Europe? If with desperate courage the countries of Central and East Europe intend to join the economy of their brothers, the symbol of which will be the European 12 from 1992 on, they must realize that the future will reduce the importance of the phenomenon called the national state, and will restore greater influence to the regions' self-determination and cultures. In that situation it will not be of any significance whether a Hungarian minority is living in Czechoslovakia, Romania, or Yugoslavia, or whether an Albanian minority is living in Yugoslavia. Why? Because they all will have more simple mutual contacts across less important state borders and will thus be better able to cooperate with their brothers in neighboring countries, although actually they will never be leaving their own cultural region.

But let us not be blindly idealistic and let us not assume that these hopes are reality. In the Europe of the 12 there still are passionate advocates of the idea of national states who are showing little empathy for a Europe of regions. In the "other half" of Europe to the east, there is likewise no paucity of ardent nationalists who want to create strong centralized states, like France or Great Britain, because they feel that history has treated them unfairly. But there are also politicians who realize that calls for independence are psychologically inevitable for nations which were oppressed for decades, and that real political independence should be a phase of short duration, leading to a union with neighbors as sovereign regional entities within the whole of Europe.

Recently these views were expressed perhaps the most aptly by Dmitrij Rupel, a leader of the Democratic United Opposition in Slovenia: "We need to become completely independent, even if only symbolically for five minutes. We will secede (become independent), but will immediately propose talks on forming a Yugoslav confederation." Even ardent nationalist living farther east, such as Deputy Dmytro Pavlichko of the Ukrainian Parliament, for instance, concede that, later when things will have become clear after gaining independence and for its own needs, the Ukraine might form a union with, say, Russia, Poland or Germany. Having mentioned these realistic views, I cannot dismiss the thought that perhaps Andy Warhol's perceptive joke, about every national state and every prominent individual being

entitled to their 15 minutes of world fame in the future, might hold true for the newly resurrected nations of Central and East Europe.

But the gist of the matter is that those who are demanding complete political independence for countries or parts of countries, on the basis of their present borders, represent voices and aspirations that belong in the past. Let all countries express their ideas of independence now, so that they may rid themselves of those ideas as soon as possible and proceed toward more stable and durable political relations.

The era of national states as the most effective social and economic formations is already over. Europe can and must show the way to the new reality, first through the activity of the European 12 in 1992 and then by embracing the rest of Europe, which is certainly bound to come. This is the kind of future that will ensure a suitable existence for the national minorities in Central and East Europe, and will also prove that 1989, the year of revolution, is truly the start of a new era and not a return to the old one.

### Major General Pezl on State of Army

91CH0848A Prague LIDOVE NOVINY in Czech  
13 Aug 91 p 9

[Interview with Major General Karl Pezl, chief of the General Staff, by Roman Krasnický; place and date not given: "Army in Motion"—first paragraph is LIDOVE NOVINY introduction]

[Text] After finishing secondary school in 1946, [the future] Maj. Gen. Karl Pezl joined the Army. Graduating in 1953 from the Military Academy in Prague, he received various staff assignments at the divisional, corps, military district and General Staff levels. As politically unreliable, he was discharged from the Army in 1970 and assigned civilian status. He worked at the Communications Research Institute, on the research and development of computerized control systems. He became a consultant to the defense minister in 1990. Since 1 May 1991, he has been Chief of the General Staff.

[Krasnický] You have returned to the Army after an absence of 20 years. Is it possible to return to one's original profession after such a long interruption?

[Pezl] It will probably surprise you to hear that, Yes, it is possible. I have served in the Army for 25 years, advancing through the ranks from basic training to working for the General Staff. During that time I have acquired knowledge enabling me to solve the timely tasks in conjunction with implementing our military doctrine. Even as a civilian, I followed with interest what was going on in the Army, although I often gained my information from foreign sources. But those sources were fairly accurate.

[Krasnický] In what state did you find the Army? What has changed since the 1960's?

[Pezl] Naturally, many things have changed—the personnel, their mentality, the technology, and the organization. But the main change, I would say, is in the position of the Army within society. As a specific organism, the Army became more and more removed from civilian life during the past 20 years. It turned into a tool that the party apparatus could manipulate, rather than into a creative body capable of planning its own future. Through the Staff of the Warsaw Pact Nations' Joint Armed Forces, moreover, it was subordinate to the General Staff of the Soviet Armed Forces.

[Krasnický] Have significant changes occurred in the personnel of the General Staff? After all, that was where the action taken against the demonstrators was planned in November 1989.

[Pezl] A presidential commission considered the qualifications of the individual officers, and so did the assessments that Minister Dobrovský reopened when he came into office, because he had not been satisfied with the previous course of the assessments. In reopening the assessments, he had taken into consideration also the standpoints of the Federal Assembly's defense and security committees. The first phase of reassessment ended recently and has been evaluated. The degree of social gravity was considered in cases where an individual's actions had not departed from the norms applicably in the Army and he had shown "sound initiative." The rehabilitation of specific individuals, by transferring them to other duties, is now in progress.

[Krasnický] So these people will remain in the Army?

[Pezl] Naturally, the people who were compromised the most have left. They included a number of generals who were on the Central Committee of the Czechoslovak Communist Party. People from the former political apparatus, military counter-intelligence, the administration of cadres, and those who were active in party organizations also have left the Army.

[Krasnický] You helped to prepare the extensive answer to Deputy M. Maly of the Federal Assembly. What is your opinion of the question he put to Minister Dobrovský?

[Pezl] Instead of taking things out of context, it would probably have been better had the deputy asked: "Would the minister tell us what our Army is actually like?" For instance, I would like to emphasize that when we wish to evaluate the combat efficiency of the Army, we have to take into consideration the fact that it does not consist merely of major field forces and formations of combined arms. The Air Force, Air Defense Forces, and all kinds of support forces also belong to the Army. And the combat efficiency of those components is substantially higher than that of other formations. The Paris treaties on arms reduction oblige us to concentrate a certain proportion of our combat materiel at designated points and then

destroy it. Since the Soviet Army's departure, we have to guard the facilities they vacated. And all that is being done by soldiers. We are carrying out the State Defense Council's resolution regarding the redeployment of our troops. We wish to complete the first phase of redeployment by autumn at an accelerated rate, and thereby to consistently stabilize the regime of the troops. The Army today is in great motion, and—for understandable reasons—all these tasks must be performed primarily by soldiers of the combined-arms formations, rather than by members of the Air Force or Air Defense Forces. The lower combat efficiency of some components within the Army is a result specifically of the changes that are now taking place.

[Krasnický] Does the transformation, about which so much is being said in military circles, mean a professional Army?

[Pezl] I do not reject a professional Army, but we can talk about one only in terms of a long time horizon. The road to it leads through staffing with professionals certain weapons systems that require skilled crews. In the Air Force, the Missile Forces and the Signal Corps the change in the ratio of professionals to conscripts doing their basic service will be the fastest. But even in the Ground Forces the training of a specialist costs tens of thousands of korunas. Assuming 12 months of basic military service, that is not very efficient. If we replace such a specialist with a professional who has signed up for, say, five years, the latter will not come cheaper, but in the long run he will be a better bargain. If for no other reason, because he will not destroy the combat materiel entrusted to his care; instead, he will be prolonging its service life. But it would be inconceivable to decide to have a professional Army from, say, 1995 on.

### Foreign Trade With Great Britain Growing

91CH0788B Prague HOSPODARSKE NOVINY  
in Czech 25 Jul 91 p 8

[Article by Eng. Jozef Maruniak, Federal Ministry of Foreign Trade: "Trade Increasing With Great Britain"]

[Text] Commercial and economic relations are governed currently by the 1972 Cooperation Agreement, under which a Czechoslovak-British joint commission has met at approximately annual intervals.

Great Britain is one of Czechoslovakia's most important trading partners. In terms of trade volume with developed countries with market economies this trade ranks in fourth place, after our trade with the FRG, Austria, and Switzerland. In 1990 Czechoslovak-British trade developed more positively than our foreign trade as a whole. Great Britain moved from 11th to 9th place in the ranks of the trading partners of the CSFR. Trade with Great Britain accounted for 2.7 percent of total Czechoslovak foreign trade.

### Machinery Exports Increase

The main Czechoslovak export items are passenger cars and tractors, pine boards and furniture, textiles, semi-finished chemical goods and products, footwear, metallurgical products, foods, glass, and costume jewelry. In recent years the volume of Czechoslovak machinery products has increased sharply on British markets. Machinery as a percentage of total exports to Britain exceeds the average for our exports to developed countries.

The most important items imported from Great Britain are precious and nonferrous metals, chemical products and raw materials, food raw materials, computer and measuring equipment, untanned hides, enhanced wool, machine tools, and textile machinery and equipment.

A decision by the Council of Ministers of the European Community in September 1990 liberalized Czechoslovak exports to EC member countries, including therefore Great Britain. The elimination of quantity limits does not extend, however, to metallurgical products, textile products, or lamb. Autolimitation agreements between the CSFR and the EC are still in force for these products.

The CSFR is among the beneficiaries of the system of general tariff preferences offered by the EC mainly to developing countries. These preferences have been available to the Polish Republic and the Hungarian Republic since 1990, and beginning on 1 January 1991 they were extended both to the CSFR and the Bulgarian People's Republic.

Currently the CSFR, the Polish Republic, and the Hungarian Republic are negotiating with the EC for agreements of association. This is intended to create a free trade zone between these East European countries and the EC.

### Direct Contacts

In addition to the exchange of goods, economic cooperation is also developing in other areas. These include production cooperation. There has not been a great deal of this, but its contribution in recent years has been mainly to allow direct contacts between Czechoslovak manufacturers and British partners, and the acquisition of state of the art products and advanced technologies in a way that does not place demands on foreign currency reserves.

In 1990 more than 20 cooperation agreements were in place between Czechoslovak and British firms. Because of changes in the conditions of foreign currency financing, many cooperation partners began searching in the second half of 1990 for other forms of cooperation, mainly joint ventures. The first Czechoslovak-British joint ventures had appeared in 1989 (POZIMOS for construction, FLATEX for domestic textiles, ELLAB for laboratory instruments), but 1990 saw the formation of

large numbers of joint ventures for the first time. Currently there are about 50 ongoing joint venture projects.

It can be assumed that an appropriate base for activating mutual trade and other forms of economic cooperation will be provided by newly formulated treaties. Work on this was conducted at the government level. The most important part is the Treaty on the Support and Protection of Investment, which was signed on 9 July 1990, and the Treaty Limiting Double Taxation, signed 5 November 1990. The full utilization of these treaty documents for joint ventures, and for British entrepreneurial groups in the CSFR, can be expected after completion of the implementing legislation in this country.

In March 1990 the British Government announced the expansion of the so-called know-how fund, to finance the training and preparation of experts from the CSFR. This fund has gradually become an important instrument for developing relations in all areas. Its basic mission is to facilitate and finance the transfer of know-how, knowledge, and information through training, education, course, consultations, student fellowships, expert services, the publication of important studies, etc.

### Invisible Trade

London City is one of the most important banking and financial centers of the world, whose services and experience can be utilized by the Czechoslovak side to finance its economic operations and overall Czechoslovak economic development. Likewise, the services and experience of Great Britain in the entire area of so-called invisible trade has so far not been well utilized by the Czechoslovak side. We have still not made extensive use of possibilities for cooperation with large and midsize British firms, which represent the largest group of potential partners. We also see possibilities here for Czechoslovak private businessmen.

On the Czechoslovak side we have underutilized capacities in the expansion not only of traditional mutual trade and its special forms, but also for the expansion of cooperation in machine building, electrotechnology, chemicals, the production of medicines, all at higher levels of economic cooperation. Manufacturers in both countries should likewise successfully cooperate to implement difficult projects in the third world. We would also welcome greater interest and participation by British firms in joint ventures, above all in production. For the time being most British entrepreneurs are concentrating on managerial and advisory services, which represent the least risk.

### New Import, Export Regulations Clarified

91CH0850B Prague HOSPODARSKE NOVINY  
in Czech 2 Aug 91 p 4

[Article by Ales V. Poledne: "Regulations Continue in Effect—In Busy Times at Border Crossing Points"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] "Good morning, Czechoslovak customs control." How many times have you heard this sentence? The regulations which control customs operations on our borders have undergone some changes recently. But they were not rescinded. Even if many people obviously think so. Virtually every day the customs police at border crossing points detains citizens who have "forgotten" to report goods for customs clearance. For example, at the beginning of July, the customs police at the Mikulov border crossing point discovered goods worth 112,000 korunas [Kcs] in the personal automobile of one of our citizens (150 kg of coffee, nine hi-fi stack units, 15 radio-cassette players, 100 Impulse perfume sprays, 200 cigarette lighters). Another vehicle belonging to a private entrepreneur was found to contain 4,557 eyeglass frames valued at Kcs602,000.

What then can we export and import?

Without an export permit, Czechoslovak physical entities may export items the nature and quantity and value of which are appropriate to satisfying personal requirements. If we wish to give someone abroad a gift, the value of the gift may not exceed Kcs500. A more expensive gift is already subject to an export permit.

On the occasion of a journey involving a vehicle borrowed from relatives or acquaintances, our customs officers can demand to see a credible document (for example, a certified proclamation) indicating that the owner of the vehicle agrees that it could be borrowed.

With regard to imports, merchandise intended for personal consumption is duty-free. For example, a maximum of two liters of wine, one liter of spirits, 250 cigarettes, or a commensurate quantity of tobacco products (this provision understandably applies only to people who are older than 18 years of age).

Furthermore, we can import items of personal consumption which do not have a commercial character duty-free and whose cumulative customs value does not exceed Kcs3,000. (The customs value is the price actually paid for the merchandise. In recomputing to Czechoslovak korunas, the valid foreign exchange rate is used.) For imported goods valued up to Kcs8,000, which cannot be granted duty-free status, the customs authorities will assess duty in accordance with a unified rate—5 percent of the value of the goods.

If goods imported for personal consumption are sold, customs authorities can assess a fine. This also applies in cases where goods are not reported at the border custom-house or if goods were passed on the basis of incorrect data, for example, if someone presents an invoice with a value which does not reflect the actual price paid. The customs authorities can then assess a fine up to Kcs25,000 and can also confiscate the goods which were the subject of the customs violation.

A great deal of unclarity exists regarding the export and import of foreign exchange and Czechoslovak currency. The importation of foreign exchange, foreign payments

documents, gold, foreign securities, and bank deposit books made out to other than Czechoslovak currency is free. In contrast, when traveling abroad, we may export foreign exchange and other funds not exceeding Kcs5,000 (according to the foreign exchange rate for purchases on the day of exportation) without a foreign exchange export permit. Without a foreign exchange export permit, we may export valuables and other foreign exchange funds as long as they were sold to us by a financial institution and we have an appropriate receipt to show for it. We can also export such items if we have a receipt showing that a financial institution refused to buy these funds from us.

The importation and exportation of valid Czechoslovak legal tender and payment documents is permitted only on the basis of a foreign exchange permit. Without such a permit, a maximum of Kcs1,000 can be exported and imported on the basis of travel contacts.

As of 15 July, the regulations governing goods whose export is prohibited have changed. Only antiquities may not be exported. With permission of the customs authorities, for which an administrative fee amounting to 150 percent of the price is exacted, it is possible to export motor fuels in reserve containers, foodstuffs and food industry products (with the exception of beer, for which a payment equal to 20 percent of the price is collected), and products made of gold and silver. In return for an administrative fee of 300 percent, it is also possible to export a so-called "cibulak." The export of other items is governed by general rules permitting such actions; normally, a fee amounting to 20 percent of the price is assessed.

#### [Box, p 4]

#### Tourist Stowaways

Recently, the customs police are encountering an increased number of cases involving the smuggling of people or attempts to cross the border illegally. Aboard trains going to the Federal Republic of Germany, illegal emigration is frequently attempted, primarily by Romanians. They normally hide in the ceiling spaces of railroad cars. But our customs officials are already familiar with such tricks.

In the border region near Hradek nad Nisou, a group of 16 adults and 12 children (who were also from Romania) were apprehended some time ago when they attempted to cross the border to Germany illegally.

It is beginning to get busy on the Czechoslovak-Polish border. Near the community of Zakamenne, customs officials apprehended a Vietnamese who was armed to the teeth. His arsenal included a gas pistol, three manual gas dispersal devices, a knife with a spring-loaded blade, and homemade chain-connected marshal arts batons. Near Mladkov, customs authorities cooperating with their Polish colleagues apprehended two Mongolian citizens attempting to cross the border illegally. In the

possession of one of them, they found an unknown substance which reacted positively to a test for hashish and marijuana.

### **Wages, Profits Under New Law Explained**

*91CH0850F Prague HOSPODARSKE NOVINY  
in Czech 6 Aug 91 p 8*

[Article by Eng. Vladimir Starecky, Federal Ministry of Labor and Social Welfare: "The Minimum Wage and the Lowest Earnings (Enterprise Earnings)—An Explanation of Decrees, Regulations, and Decisions"]

[Text] In its Decree No. 465, dated 18 July 1991, the Government of Czechoslovakia, among others, expressed its agreement with the continued validity of Czechoslovak Government Regulation No. 99/1991 regarding establishment of a minimum wage, stipulating that collective agreements among social partners in 1991 can contain agreements regarding the lowest level of earnings which are higher than the minimum wage.

What does this mean; why is it possible to agree upon a higher minimum wage and not on a minimum wage? According to the provisions of Section 111, Paragraph 3, of the Labor Code (complete text in Decree No. 167/1991), the Government of Czechoslovakia, by decree, stipulates the size of the minimum wage or possibly the conditions for determining the minimum wage and its magnitude. This occurred on the basis of Government of Czechoslovakia Decree No. 99/1991, the validity of which was confirmed by the government by the above resolution. The cited government decree makes it impossible to stipulate higher rates for the minimum wage by agreement between social partners in collective bargaining agreements. This explanation is also commensurate with the provisions of Section 20, Paragraph 2, of the Labor Code, according to which collective bargaining agreements can adjust wage and other Labor Code claims within the framework prescribed by Labor Code regulations.

How shall we then proceed in the event an enterprise has sufficient funds, comes to an agreement with the trade union organization, and states in its collective bargaining agreement that earnings in the enterprise will not be lower than 11.90 korunas [Kcs] per hour, or Kcs2,200 per month? Where an employee does not achieve this kind of earnings, the enterprise will supplement his earnings up to the stated level through one or another of the wage forms used, most likely through a supplemental payment to partially offset the increase in the cost of living. The supplemental payment to the minimum wage cannot be used in this case because it only applies to the minimum wage which amounts to Kcs10.80 per hour or Kcs2,000 per month.

Example: An employee has gross monthly earnings, including supplemental payments to partially offset increases in the cost of living, of Kcs1,900. According to the collective bargaining agreement, the lowest wage in the enterprise is Kcs2,200. The employee receives a

supplemental payment of Kcs300. He cannot receive a supplemental payment of Kcs300 on top of his minimum wage according to Government Regulation No. 99/1991, nor can he draw a supplement of Kcs100 and a bonus of Kcs200 because even this bonus is part of the wage which is decisive for judging the claim for supplemental payment to raise his minimum wage to Kcs2,000. It looks complicated, but another solution which would be commensurate with valid regulations can clearly not be found. As far as the supplemental payment to partially offset increases in the cost of living is concerned, it will clearly be necessary to augment the existing interenterprise regulations or the collective bargaining agreement to indicate that if an employee does not attain the lowest earnings which are prevalent in the enterprise, the enterprise will supplement his income to reach that level.

It is surely not necessary to stress that minimum earnings higher than the minimum wage are not necessarily applicable in the enterprise to all employees, that some professions or operations can be excluded (but they are subject to the minimum wage). Naturally, this also concerns the tie-in between earnings and achieved results. If a worker who is earning a piece-work wage does not earn the minimum earnings prevailing in the enterprise, he is entitled to draw only the generally applicable minimum wage. The same is true if a worker does not fulfill the individual indicators required for the payment of bonus payments.

For employees remunerated in accordance with the enterprise minimum earnings, provisions of Section 7 of Government Regulation No. 99/1991 apply literally, that is to say, the average earnings for Labor Code purposes and the creditable earnings for purposes of health insurance, may not amount to less than the minimum wage; this language does not apply to the minimum enterprise earnings.

From what I have listed above, it is clear that the stipulation of the lowest enterprise earnings is not overly practical. If the enterprise wishes to increase the lowest earnings, nothing stands in its way of doing so within the framework of valid general and interenterprise regulations and, in my opinion, it does not need to introduce a new special institution.

### **New Wage, Salary Law Proposal Discussed**

*91CH0854A Prague HOSPODARSKE NOVINY  
in Czech 8 Aug 91 p 6*

[Article by Eng. Vojtech Mechura, CSFR deputy minister of labor and social welfare, and Ivan Beer, director of the Department for Income Policy of the Federal Ministry of Labor and Social Affairs: "On Remuneration in the Entrepreneurial Sphere"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The proposal for a law on wages, salaries, and average earnings, which is supposed to create the necessary legal prerequisites for the realization of the wage reforms, was submitted for discussion to the federal

government. The proposal passed through a broad markup proceedings and was amended in accordance with the conclusions gathered as a result of that proceedings. Recently, questions are accumulating regarding the overall concept of the proposed law, explanations of some provisions are being demanded, but there are also various unclaritys and prejudices, such as those which appeared in an article published in *HOSPODARSKE NOVINY* by Mr. Uhlik. That is why we already consider it essential now to familiarize the broader public with the content of the proposed law and its basic principles, but also with the approaches that will be necessary in enterprises to prepare for its realization, which is expected to occur by 1 January of next year.

### On the Proposed Law

The wage reform is an inseparable part of the Czechoslovak radical economic reform, the fundamental principles for which were approved by the Government of the Czech and Slovak Federal Republic as a result of its Decree No. 887/1990. A transition to an economic market system requires legislation in the area of wages which will facilitate the market conduct of all entities (employers, employees, employer organizations, and appropriate trade union organizations) with minimum state incursions and, at the same time, will require the provision of an adequate measure of protecting the wages of employees, taking into account particularly any international obligations.

The proposed law anticipates that all quasi-legal arrangements for remuneration in the enterprise sphere which reflect the system of administrative central control and which make it impossible to assert in full measure a system of collective bargaining, and further anticipates that the appropriate provisions of the Labor Code will be modified. The proposal represents the fundamental liberalization of wages in the entrepreneurial sphere.

The proposed law regulates only the most fundamental rights and obligations involved in granting wages; all other conditions and claims will become the objects of collective or possibly individual bargaining. In harmony with this approach and in contrast to existing arrangements, the text omits provisions on the assertion of wage forms, the establishment of personal accounts, remuneration for being transferred to another job, remuneration for unfavorable weather conditions, for essential operational requirements of the employer, etc. These modifications will become the object of negotiations and the content of contracts. The law does not use the concept of a guaranteed wage, because it specifically guarantees claims to a minimum wage, to a minimum wage increase (for example, for overtime work) based on international agreements and also guarantees minimum wage tariffs where collective agreements are not concluded.

The law deals with remuneration for employees who are in an employee status or in a membership status, in which part of the membership also involves a working

relationship (production cooperatives, agricultural cooperatives). In harmony with the new amendment of the commercial code, which is being prepared, it will be necessary, in the case of members of agricultural cooperatives, to differentiate between members who have standing as workers for hire (the content here is the working relationship) and members who have standing as owners or partners. The law is not applicable to the remuneration of employees working for employers who are, as a result of their system of management, completely dependent upon the appropriate budget (budgetary organizations); it is expected that these relationships will be modified by a special law at the same time. The law does apply to contributory organizations, provided a special law does not specify otherwise. The law is also applicable to employees of special-interest groupings and groupings of citizens, political parties, and churches (but excluding ecclesiastical personnel), even though these are not organizations engaged in solely entrepreneurial activities.

The main intention of the submitted modification of the law is to support collective bargaining in the area of wages. The priority of arranging wages purely on an individual basis would weaken the traditional protection afforded to employees for hire, which is customary in developed countries. To an overwhelming extent, therefore, the conditions and magnitude of wages will be agreed upon in collective contracts by agreement between social partners. For purposes of concluding collective agreements, provisions of Law No. 2/1991 on collective bargaining will be used. However, employees and employers may also agree on wages directly in a working agreement or in another individual agreement (for example, an agreement with managers); in this case, however, it is not possible to agree on claims which are in conflict with the appropriate collective bargaining contract or with the law. If this condition is not fulfilled, that part of the agreement becomes invalid in the eyes of the law.

According to the proposed law, wages are considered to be cash or cash value payments made to the employee for work, as long as these payments are not granted for activities which are connected with employment, but are based on special laws. The law deliberately shuns a closer definition of wages, because it is not purposeful to predetermine the structure of wages in any way.

The proposed modification contains general dispositional provisions according to which it is possible, in collective agreements or in individual work agreements, to adjust employee entitlements to wages. Collective bargaining agreements must take into account the appropriate provisions of the proposed law, in harmony with Section 4, Paragraph 2, Letter a, of the law on collective bargaining and Section 20, Paragraph 2, of the Labor Code.

It is anticipated that the law shall, in agreement with International Labor Organization [ILO] Rules Nos. 26, 99, and 131, stipulate the employee's right to a wage



which is at least as high as the minimum wage. Taking into account the general level of wages, the development of costs of living, the development of social security payments, in view of the necessity to maintain the level of employment and assure the economic development of an enterprise, collective bargaining agreements may contain arrangements for higher minimum wages or more detailed conditions for granting the minimum wage. A lower minimum wage than that stipulated by law may be worked out for young people and handicapped employees so as not to limit their employability; however, this wage cannot be lower than 50 percent of the minimum wage stipulated by law. It is anticipated that the Government of the CSFR will decree a new level of the minimum wage.

In cases where no collective bargaining agreement is concluded or where the collective bargaining agreement does not resolve wage questions, the basic entitlements of employees will be guaranteed primarily through minimum wage tariffs. The proposed law authorizes the federal government to not only set the level of these minimum wage tariffs for cases within its jurisdiction, but also to classify workers or their working activities into tariff steps in accordance with the complexities of the job, the responsibilities, and the strenuous nature of the work, as well as to establish conditions for and the minimum size of some demanding wage surcharges (wage advantages). This solution means that an employer is obligated to grant at least that minimum wage to employees; of course, he can even pay more. Without a doubt, the institution of minimum wage tariffs will exert an indirect influence even on collective bargaining for wages and, in part, even possibly upon the wage system itself, primarily the tariff system.

In line with Agreement No. 1 of the International Labor Organization, employees are guaranteed at least a 25-percent increase over their average earnings for a wage achieved as a result of overtime work. The proposal takes over the concept of "wage achieved" from the existing arrangement contained in Section 116 of the Labor Code and takes account of the concept "normal wage increased by one-fourth," in accordance with the above-cited ILO agreement. However, it is possible to arrange for employees to have compensatory time or a higher wage for overtime work or to arrange wages in such a way which already take account of overtime work, something which will be purposeful for application to managerial and creative employees. For work on holidays, the law guarantees a 100-percent increase over average earnings; more detailed arrangements can be agreed upon in collective (individual) agreements; in granting compensatory time, the procedure is the same as granting wages for overtime work. The law also defines the term holiday more closely in view of the varying approaches in applying existing rules for remuneration for work done during holidays.

For work in a difficult and health-damaging working environment, employees are entitled to wage advantages in accordance with the collective agreement and, if that

agreement has not been concluded, are entitled to wages which are at least as high as those set for such conditions by CSFR Government regulations.

When transferring an employee because there is reason to fear occupational illness, because of quarantine measures which were imposed on him in accordance with regulations governing the health care of people, or to avert a natural disaster, or another threatening accident, or to mitigate the immediate consequences of these situations, the employee is guaranteed a wage which is at least at the level of the average earnings for a period not to exceed 12 consecutive months. The law protects the employee here in the event he might be transferred to perform work at a lower wage should his health be threatened or on the basis of certain other facts. The specification of other reasons and conditions governing the size of the supplemental payment while being transferred for these other reasons can be arranged in the collective bargaining agreement. This provision will also protect the employer, who is obligated to transfer the employee to other work on the basis of a decision by an organ of state administration and to pay him a supplemental payment to bring him up to the average earnings.

In the payment of wages, it is possible to arrange other than monthly payment periods (daily, weekly, or longer ones); if the time for paying wages is not specifically agreed upon, wages are payable for one month behind. The payment of wages in anything other than Czechoslovak currency is possible only in the event of cases specifically listed in the proposed law. In the collective bargaining agreement, it is also possible to arrange, without legal limitation, times when wages are not paid during working time and at the work site. Generally, the provisions of the Labor Code apply (Section 119, Section 120). Similarly, the arrangement of deductions from wages, as identified in Section 121 of the Labor Code, remains unchanged within the framework of the Labor Code.

Wages are paid employees basically in cash, but it is possible to agree, with the employee, on the payment of wages in kind. Where wages are minimum wages, as stipulated by law, or by agreement, wages must always be paid in cash; the provision of in-kind wages must always be in harmony with the needs of the employee or his family. Expenditure advantages for personal travel are expressly segregated from payments in kind.

Remuneration for being willing to work is not a wage, but, in view of the fact that this arrangement is directly connected with granting wages for work performed, this modification was included in the proposed law. In conjunction with the provisions of Section 92, Paragraph 1, of the Labor Code, remuneration for working willingness is left to collective bargaining agreements (particularly in cases where working readiness or willingness is ordered) or to labor agreements (involving agreed-upon readiness to work). At the same time, however, the proposed law expects that where such readiness is not agreed upon, the



employer will have to pay the employee at least one-tenth of the hourly minimum wage for every hour the employee is ready to work.

Where wages are not agreed upon by contract, but merely stipulated by the employer, for example, by an internal wage regulation, the employer is obligated to carry out this measure after negotiating it with the appropriate trade union organ. Measures having to do with standards of labor consumption and the use of funds for wages are discussed with the appropriate trade union organ in accordance with Section 122 of the Labor Code.

Legal relationships, which are not specifically altered by the proposed law are handled in accordance with the Labor Code. The proposed effective date for the law is 1 January 1992. Wage and other claims arising prior to the date this law is effective are judged in accordance with existing regulations. The law rescinds more than 400 wage and labor law regulations. Similarly, wage arrangements which were published in accordance with existing wage regulations lose their effectivity. The law also rescinds some wage regulations which were hitherto applicable both to enterprises and to entrepreneurial activities, and to budgetary organizations, by expecting that the effectivity of the submitted law is in agreement with legal provisions for remuneration in the budgetary sphere.

In conjunction with the proposal on wages, there is the expression of fear that a new compulsory and administratively demanding wage system will be introduced in organizations under the supervision of the various ministries, there is a fear that the realized program will be similar to the well-known ZEUMS program, which was designed to increase the efficiency of the wage system. It must be said that this fear is not being voiced so much by representatives of entrepreneurs who would be supporting such an activity, but primarily by representatives of higher trade union organizations. It is difficult to determine the causes of this view. The very proposal of the law has been based, from the beginning, on the creation of wages through individual agreements or through collective bargaining agreements; the entrance of the state into this contractual relationship is completely exceptional. It is outlined by provisions of the law which are a realization of international agreements (minimum wage, overtime work, and holiday time work), and is further necessary as protection for workers in the event a collective bargaining agreement is not concluded or does not solve questions of remuneration.

In realizing the law, it is essentially possible to proceed in three ways in enterprise practice:

1. The simplest and administratively least demanding, but also ineffective method is to confirm the validity of the existing organizational wage system through a collective bargaining agreement. Adjustments can be limited to cases in which the law on wages calls for a different approach, in contrast to current reality, both in remunerating overtime work and holiday time work. This

approach is possible everywhere, but is useful only where representatives of the organization and of the workers are satisfied with the current status, are not calling for any changes, and, particularly, if the existing wage system is demonstrably stimulating and highly effective.

2. The most demanding approach makes it possible to agree on methods of remuneration which are different from existing means, particularly where they concern the level of wage tariffs, the number of tariff levels, and the scope and size of supplemental wage payments. The demanding nature of such an approach will clearly require a longer period of specialized preparation. As a rule, it will be useful to agree upon procedural modifications involving the remuneration of individual units and groups of employees. It is desirable, on the basis of agreements between social partners (employers and trade unions) in enterprises to assert an approach in evaluating and classifying work and functions which has been methodologically worked through by specialists; that is to say, making use of the worked-out joint catalogue of work and functions which guarantees inter-branch comparability with respect to the classification of typical work activities at 12 tariff levels.

3. In some cases, organizations will be applying tariff levels in collective agreements and minimum wage tariffs which will be possibly a little higher, in conjunction with CSFR Government regulations. State officials cannot compel organizations to take this approach, but only trade union organizations can do so. This approach, however, will be obligatory where questions of remuneration are not addressed in the collective bargaining agreement. The provisions in Section 13 of the proposed law on wages thus unequivocally guarantee workers that in the event there is no collective bargaining agreement, they at least have minimum wages guaranteed by law. In its consequences, the proposed law compels organizations and trade unions to choose a bilaterally serious partnership approach in collective bargaining involving wages.

#### On Preparing for Wage Reforms in Enterprises

First of all, it is necessary to reemphasize that the system for remuneration will be created by the enterprises themselves, or some of its elements will be agreed upon in higher collective bargaining agreements between representatives of employers and trade unions. The tasks of, the demands placed upon, and particularly the responsibility of trade union units dealing with remuneration will be increasing, and preparation of the wage reform will thoroughly test their quality.

Preparation of the wage reform must be started without delay. Here, it is only possible to briefly note those principal tasks on which it is necessary to concentrate attention and for which it is necessary to seek optimum solutions; some questions can already be prepared now and one could, thus, gain the necessary head start this way. It is necessary to figure that following the "creation" of the wage system, every enterprise will have to,

in its own interest and for its own sake, undertake a thorough wage inventory; only then will it be possible to conclude negotiations regarding this system with the trade union organization and begin negotiating new working and wage conditions with employees.

The basis for the wage system is the evaluation and classification of work activities; the principal criteria are complexity, responsibility, and difficulty of the work performed. The result of evaluation and classification is the categorization of work activities into certain groups—tariff classes; this is the most important part of the preparations which are, unfortunately, substantively and timewise very demanding. Furthermore, it is necessary to decide on the most effective wage structure in the enterprise, in its individual sectors or professions, that is to say, the ratio between firm and movable components; naturally, there will be many a reason to assert only a single-component wage the next time (for example, in korunas per hour or in korunas per piece of work produced, etc.).

If tariff wages are to be used within the enterprise, it is necessary to get a head start on what the level of wage tariffs will be, how many classes of wage tariffs there will be, and for which work sites, and what the breakdown of these classes will be. In this regard, the enterprises will not be restricted in any way in their collective negotiations. Similarly, they will have full authority to decide which wage supplemental payments they will be granting, under what conditions, and at what magnitude—this is something else that can be prepared at the earliest time. In this regard, it is possible to draw attention to the fact that the ministries of labor and social affairs, in collaboration with physicians, have prepared a methodology for granting wage supplements for work in difficult and health-damaging conditions, including specific examples of work, which can serve enterprises well as a specialized aid.

In preparing the new wage system, it will also be necessary to reevaluate the existing base of labor consumption standards with the goal of improving its quality. Here, it is necessary to pursue the goal of having the standards serve primarily to establish optimum efficiency; it is not always necessary to have a direct tie between the fulfillment of efficiency standards and higher wages. In the area of standardizing work, it is not possible to anticipate any central regulations nor methodological recommendations; this is the exclusive prerogative of enterprises. The same situation will exist involving the use of wage forms. It will only depend on the activity and the ability of the appropriate trade union units, but also on the activities and abilities of direct managers as to whether enterprises will be asserting suitable and stimulating specifically effective forms of wages.

A certain aid in preparing the wage reforms in enterprises can also be found in existing regulations. Not so that individual provisions can be taken over from them, copied, but so that nothing is forgotten, but primarily because practice has taught us that some provisions and

their formulations answer the purpose of wage practice and that it is, therefore, correct to take them into account; others, on the other hand, should not be taken into account and it is, therefore, necessary to seek other solutions or other formulations. However, it will also be very purposeful to subject the solution of some questions of the new wage system to consultation with specialized employees of other enterprises; the proposal can, thus, be enriched, augmented and made more precise, but primarily, it is possible to avoid some shortcomings and unpleasantnesses related to them beforehand. In conclusion, it is necessary to state that the substantive preparation of fragmentary questions involved in wage reform can begin immediately in every enterprise.

### Coupon Privatization, Plainly Speaking I

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pp 8-9

[Article by Jindrich Zelezny; first of two installments entitled: "New Millionaires Will Arise"]

[Text] As Minister Tomas Jezek likes to stress, and he does so frequently, large-scale privatization began with the sale of the Rakona factory to the Procter and Gamble Concern. This is a so-called standard method, with the state transferring its property to a private owner by a method which has become proven the world over. Another similar method is sale by auction, similar to sales undertaken under small-scale privatization, then there is sale by bid proceedings when, on the basis of a public competition, the Fund of National Property decides which is the best offer, and, finally, there is the issuance of securities and their sale on the stock exchange.

However, it must be taken into account that foreign capital certainly has no interest in buying everything in Czechoslovakia; we would like to retain at least part of the property in Czech and Slovak hands and the more than 300 billion in savings by our population would be sufficient to buy only 10 percent of the national wealth. To the extent to which we would, in other words, make use of only tried and customary methods of privatization, the denationalization of Czechoslovak property could take decades or possibly even centuries. We, on the other hand, would like to establish normal ownership relationships within a few years.

A certain opportunity is offered by restitution—in other words, the return of property to its original owners. However, even if the complex legal relationships, which have been confused for a period of 40 years, were to be resolved, there still remains the tremendous property potential that was created after nationalization. If the transfer of state property to private hands is to have a hope, and, therefore, if, thanks to privatization, even our industry and our economic level are to have a hope, it would have been necessary to think up some kind of quick and effective method of transformation which would, simultaneously, help create a capital market. A

small group of economists at the Czechoslovak Ministry of Finance arrived at coupon privatization, on the basis of similar considerations. This is the method which is to be used in our country to privatize some 2,000 to 3,000 enterprises.

### **Equal Chances for Everyone**

The idea of the coupon transformation is quite simple; pretty much like every good idea. An enterprise to be privatized works out a privatization plan, becomes a joint stock company, and, complete with all its assets and liabilities, passes to the federal or republic Fund of National Property. This fund decides how large a portion of the enterprise is to be transferred to private hands in the form of investment coupons, but it is supposed to be at least 30 percent of the issued securities.

Anyone will have the opportunity, at the same time, of purchasing a so-called coupon booklet (approximate cost, 40 korunas [Kcs]), which contains 5,000 investment points in various denominations. However, a purchased coupon booklet has, for the time being, at best some souvenir value; it becomes usable only after registration with the appropriate registration office (there are supposed to be as many as 800 of them). This action can then be undertaken only by a citizen of the CSFR who is more than 18 years old and can be undertaken only once. For registration, the citizen pays Kcs1,000 which is supposed to be, among other things, a guarantee that he is serious about his participation, as well as being a sop to the philosophy that nothing is free. By undertaking this action, the future investor is recorded in the central computer which makes sure that he will not be able to register again elsewhere.

He then waits for publication of the information pertaining to privatized enterprises and uses a branch office (there are supposed to be around 5,000 of these) to sign over his investment points to the enterprise in which he has an interest. The adventure begins.

No one is actually able to estimate what kind of interest will be shown in which enterprises. Said more simply, if only 30 investors show an interest in buying, say, shares of the POLDI Kladno enterprise, they will become the only owners of the number of securities offered. Perhaps they will become the decisive majority. For their Kcs1,000, they will acquire millions. But the opposite is also possible: Let us say, for example, that several tens of thousands of potential stockholders of, say, the Krusovice Brewery were to meet, they could lose their Kcs1,000 sooner than they expect. Thanks to coupon privatization, it will not be long before part of our society will be moved by an exciting game involving millions and, in contrast to the Letadlo or Happy Line games, it will be absolutely correct.

### **How Does the Price of a Security Come About**

All of this is possible because the price of a security will be determined by a combination of a controlled method as well as the market method. The method is based on

the fact that there will be differing interest shown in privatized enterprises, depending on their attractiveness, their name, the age of their equipment, the level of management, and so on. Individual joint stock companies will, therefore, be categorized in various categories on the basis of the anticipated difference in the demand for them and different starting prices will be set for their securities. Then, the number of registered coupon booklets will be awaited. According to expectations by the Ministry of Finance, this form of privatization will be participated in by approximately two million citizens so that if we take this number as an example, the demand side will have two billion investment points. The supply side will have the total of all securities of enterprises privatized in this manner in a given privatization wave, let us say, 200 million securities. The average price of a share will thus be 10 investment points.

This average price will be used to compute the price of securities of enterprises in the individual categories, let us say, in four categories. For example, an enterprise in the worst category will have securities available for five investment points; an enterprise in category three, for 10; an enterprise in category two, for 20; and a first-class enterprise will have securities available for 40 points.

The securities will be sold in exchange for appropriate checks in the coupon booklet, which have a value of 100, 200, 500, and 1,000 investment points. In the event an investor has an interest in acquiring the securities of some kind of enterprise in the lowest category, he can sign a single check worth 100 investment points, for example, and as long as the demand is balanced by the supply, he will receive 100 shares for those 100 investment points.

However, it is likely that supply and demand will never be balanced. That is why there will be some so-called privatization rounds, during which the price of securities will already be fully determined by the market method. If the demand for certain securities exceeds the number of the securities offered, the first privatization round is halted, the price of securities is increased, and the securities pass into the second round. In this case, for example, our fictitious investor no longer receives 20 shares for his 100 investment points, but only 10. The balancing of demand against supply will continue as long as stabilization does not occur.

### **Privatization Rounds**

Each so-called privatization wave will have several, but a maximum of six privatization rounds. These rounds will have four phases. The first phase, involving announcement of the privatization round, will require four days, during which the actual prices of securities of privatized enterprises will be published. During the subsequent nine days, potential investors will have the opportunity to sign over their investment coupons to appropriate shares. During another five days, all offerings will be processed in a central computer and enterprises, which

must pass to the next privatization round, will be identified. The last three days of the three-week cycle will see publication of the results of that round. Two groups of enterprises will come into being.

The first group will include joint stock companies in which the number of shares offered exceeded demand in a given round, or where the number of shares offered was balanced by demand. The investors will be satisfied and, after conclusion of the privatization wave, will receive the appropriate number of securities. Securities which were not sold will pass to the subsequent round at the same price or at a lower price. If the securities of a certain enterprise turn out to be of no interest to anyone, or if the interest is minimal, they will be excluded from this form of privatization as unprivatizable and will most likely be liquidated.

The second group will be made up of enterprises where the interest in acquiring their securities is greater than the number of securities offered. As long as this interest will only be somewhat higher, all individual parties interested in acquiring securities will be satisfied, but participation by investment privatization funds—which we shall discuss later—will be excluded. If demand exceeds supply more specifically, the shares and investment points will pass to the next round.

After the completion of the first privatization wave, which will be initiated at the beginning of 1992, a second issue of coupon booklets will be published and everything can start all over again.

### How To Invest

It is quite likely that even a person who knows nothing, and does not want to know anything, regarding the details of individual enterprises, will want to participate in this complicated, but exciting "game." However, he would like to invest his money somewhere. That is why even so-called investment privatization funds will come into being. This institution will behave just like a joint stock company and people will be able to deposit their investment moneys in them during the so-called privatization null rounds. The advantage of owning a piece of an Investment Privatization Fund lies in the fact that if the price of a security of any enterprise exceeds the value of 1,000 investment points, individual interestees will be excluded from the game and the securities will be bought up only by an Investment Privatization Fund.

However, from the gamesmanship point of view, it will be more attractive to enter privatization rounds individually. This is the only opportunity to acquire truly great wealth. If we imagine that 5,000 investment points are expected to have an average value of approximately Kcs50,000, certainly the investors will include not only those who do not earn much, but also those who, at the end of the privatization wave, will be holding shares worth many millions. Who they will be will not only be decided by Lady Luck, but also by good access to information.

We shall talk about pitfalls and how to escape them, possible speculation involving securities, and other problems of coupon privatization in the next issue of REPORTER in our interview with Dr. Dusan Triska, one of the authors of coupon privatization and, in his own words, the greatest specialist in these matters in Czechoslovakia.

### Coupon Privatization, Plainly Speaking II

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[Interview with Dr. Dusan Triska, adviser to the minister of finance and one of the authors of coupon privatization as a nonstandard form of denationalization, by Martin Mrnka; place and date not given; second of two installments entitled: "New Millionaires Will Arise, II"]

[Text] [Mrnka] Fifty percent of our enterprises—approximately 2,000 to 3,000—will be turned over to coupon privatization. The remaining enterprises are supposed to be privatized through so-called standard methods; in other words, they are to be sold at auction or sold to foreign interests. Is there not a danger that the state will use classical methods to transfer the most attractive enterprises to new owners and that only that which the state is unable to get rid of will be left for coupon privatization?

[Triska] Approximately 1,000 enterprises will be set aside for standard privatization. Estimates by the World Bank indicate that one-third of our industry has no chance for survival, it is unreformable. Let us hope that this number is not larger, that things will not end up as they did in Germany. Not even, say, Belgium could survive unification with Germany, so that a disintegration which is worse than that is not a threat to us. However, we do not know which enterprises will not be able to stand this. If someone were to ask me or any other government official to set aside the best for foreign partners, with the understanding that we would sell the remainder for coupons, then we could agree on a maximum of 50 enterprises. The remainder probably defies estimation by anyone. Thus, in this state, there are neither institutions nor people capable of selecting these 1,000 best enterprises.

Of course, this makes this problem politically tolerable, because it would be very unfortunate to saddle the nation with something the state does not know what to do with. Seen from the other side, however, this is the way things are; the government does not conceal this fact. This economy has been devastated and can only be put back in order by the nation itself.

[Mrnka] How great an interest do you expect the citizenry to have in coupon privatization?

[Triska] Very great interest. In fact, we sometimes fear that it might be excessive because we then could not master it technically. We have a system planned which

would satisfy eight million citizens without problems. However, if all 11.5 million citizens who are eligible were to register, then we would have certain technical problems taking care of them. A bottleneck would develop even on the supply side because we only prepare as many enterprises for coupon privatization as are reflected in estimates of participants and this is not enough to take care of the entire adult population.

Realistically, we therefore anticipate that approximately four million individuals will participate in coupon privatization. On the basis of public opinion polls, approximately one and a half million citizens are already now interested in acquiring coupons and we have not even begun a massive advertising campaign, which is planned to begin at the end of August.

[Mrnka] Are you prepared for, say, 19 million adult Czechoslovak citizens to register for privatization as was the case with illegally paid state equalization contributions?

[Triska] No. This country has 11.5 million people who may participate in coupon privatization. None of them will be successful in participating in a privatization wave more than once.

[Mrnka] So the coupon booklet cannot be counterfeited?

[Triska] There will be no reason to do so. The coupon booklet will be freely available, anyone will be able to buy it for approximately 40 korunas [Kcs], which will cover the costs of printing and distribution. We are even figuring on the fact that it will be bought by tourists as a souvenir.

However, the coupon booklet will not acquire its true value until it is registered. It will then be made out to a specific person, listing the person's birth registration number and their place of residence. A Kcs1,000 coupon stamp must be affixed in the booklet and the stamp will be canceled at the appropriate registration location and the necessary data will be dispatched to the central record-keeping facility. In the event that a person purchased another booklet and handled it the same way as the first, he would be throwing away Kcs1,000. The central computer would immediately disqualify him from the process.

I exaggerate when I say that we hope that this kind of fraud is attempted by as many people as possible, because for us this would mean additional revenue for the state coffers. The government resolution specifically states that a citizen is not entitled to compensation for excessive registration....

[Mrnka] Are you then not even afraid of computer pirates who could penetrate your central computer?...

[Triska] The appropriate computer system is protected just as reliably as the banking system. If anyone were able to defeat it, I believe that it would be more advantageous for that individual to concentrate his attention precisely in that area....

[Mrnka] So you can exclude the possibility with certainty that any kind of fraud could occur during registration.

[Triska] We analyzed thousands of ways, the system is impenetrable. Even if someone were to succeed in some way—be it through computer fraud or through registration on the basis of a counterfeit identity card, or by using a dead person—in registering several times, any additional securities acquired would be made out to that nonexistent person. Moreover, in contrast to money, which is anonymous, there will be a permanent record here so that even 20 years later it can be determined precisely where they came from, where they went, who was the initial acquirer, and, thus, it would be possible to find a swindler this way. However, I reemphasize that I see no reason why anyone should go to all this trouble.

[Mrnka] We do see this reason. Some coupon booklets will have a value which will exceed the previously discussed Kcs1,000 several times, thanks to correct investment guesses. Did you consider, for example, that it will be worth someone's while to convince a certain circle of people, let us say, the homeless at Prague's Main Railroad Station, to register, for a bribe, and then to speculate with their booklets?

[Triska] Yes, he could, of course, do so; in fact, it will be easy for him because controls will not be as strong when placing orders for securities as they are during registration, but I still do not see any sense behind his actions. He will be ordering securities for them, they would be listed as stockholders, they would be collecting dividends, they would be paying taxes on those dividends. He would have to somehow compel them to sell the securities to him.

[Mrnka] If we were to hypothetically admit that someone would manipulate a certain group of people in this manner and if they were then to sell him the securities of a valuable enterprise on the basis of a previous agreement at a dirt-cheap price, he would acquire extraordinary wealth very inexpensively....

[Triska] Very inexpensively? Watch out. This individual has demonstrated such enormous organizational talent that he almost deserves what he gets....

[Mrnka] You spoke of the fact that, according to expectations, some four million individuals will participate in coupon privatization. If we disregard the above-mentioned organizational talents, when do you think that this capital will become concentrated in a relatively restricted stable cadre of owners?

[Triska] That is really a question of what it is we want. We are criticized by the political right that we are fragmenting ownership, to which we respond that fragmented ownership is better than state ownership. Yes, it will become concentrated and, as we say, perhaps too rapidly. This could have its political dimensions. If rapid accumulation of capital were to take place in the hands of some specific types of people, this could bring about a certain political tension.

From the economic standpoint, concentration is desirable, but, let us say, in Great Britain every fourth citizen is a stockholder, which means that there are more stockholders there than there are trade union members. I would not say that this reflects negatively in the economy of that state.

[Mrnka] However, these stockholders do not own any horrendous sums.

[Triska] Things will be similar in this country. We know that some Kcs50,000 in nominal security value will be the per stockholder share which is truly not a horrendous sum in securities.

[Mrnka] Is it therefore possible to determine the optimum number of owners today, as well as the anticipated time when this number will be achieved?

[Triska] If the market were completely free and unregulated, then capital could be concentrated in about six months. However, let us return to the problem of the number of stockholders. This is again a matter of what do we want. Either concentration or broad ownership. As long as the government prefers the second variant, it can preserve extensive ownership through advertising campaigns and regulations. And anyway, those people who wish to participate in coupon privatization will undertake to do something. In contrast to the Polish system, where state wealth is being given away and sent to people by mail, here, people will actively do something.

[Mrnka] A certain problem will most likely be the threat of information escape. State officials may be exposed to the temptation of selling someone information about the standing of an enterprise and make a lot of money that way. Are you considering a method of preventing them from doing so?

[Triska] We normally respond to this suggestion by saying that the problem of privileged insider information under our conditions is highly overvalued. This is primarily so because we are living in times of absolute unprecedented information insecurity. At a time when the price structure has changed, when eastern markets are disintegrating and new markets have not yet been conquered, no one is able to say how things are with one or another enterprise. We already spoke about that. For example, some foreign banks received our permission to lend money, but are doing nothing because they are not capable of determining which enterprise in Czechoslovakia has any kind of hope for survival. Czechoslovak banks are behaving a little more actively, but have also not exhausted their credit quotas. Even though they have capable loan officers who are familiar with the problem, even they do not know to whom it is worthwhile to lend funds.

That is why we say that the most important information regarding an enterprise for purposes of coupon privatization is information about the status of its enterprise management. If the management of the enterprise is stabilized, if those people do not get drunk, if they have

a clear development policy, if they are not cantankerous, if they are adaptable, and capable of making decisions, then this is the greatest capital which the enterprise has.

And, frankly stated, this information is not at the disposal of any state official. People in the immediate vicinity of the enterprise have a hundred times more credible sources. That is why we believe that interested purchasers will be buying securities of enterprises in their immediate vicinity, enterprises with which they are familiar. Even the most promising looking enterprise without quality management can go under very quickly. Perhaps it is enough to dismantle the import surtax or change the rate of exchange of the koruna and enterprises which are well-off today could face liquidation tomorrow. Liquidation is prevented again only by high-quality management, or possibly a design office which will be capable of suddenly drawing something completely different than was the case thus far.

[Mrnka] Actually, you have created a game patterned on the game of Monopoly or Business for this country. Are you figuring on any kind of secondary effects, for example, that people will quickly learn to think like entrepreneurs through this method?

[Triska] If I have correctly understood this slightly disparaging comparison, then it is applicable not only to our nonstandard method, but also to the New York Stock Exchange. The New York Stock Exchange is the same kind of toy for a certain grouping of people as is our coupon privatization.

And now, what is it good for? If a capital market is created, this is exceedingly advantageous to a country which does not have such a market. Without a capital market, the actual value of enterprises is extremely hard to determine. However, in our country, a capital market without coupon privatization would only come about with great difficulty, we would end up like the Hungarians, who opened a stock exchange in Budapest with festivities and there is nothing there to be traded. We must create a strong market, with millions of stockholders and millions of securities. For example, Great Britain has a strong capital market; France allegedly has a weak one; but, say, the developing countries, have none. A market economy functions there, but we know how. If people rush to buy the securities of enterprise XYZ, this means that the blind forces of the market are functioning, that that enterprise is possibly interesting. And this is information which no government can assemble on its own. It is noteworthy that even if these people have, say, bad information, things turn out well in the end because, on the basis of these indications, confidence in the particular enterprise is restored, even among its commercial partners.

[Mrnka] How large a portion of a privatized enterprise will you be denationalizing through the coupon method and how many actual stockholders do you expect?

[Triska] We have found no argument in favor of retaining a portion of the securities held by the state. We

are therefore asserting that an enterprise be privatized 100 percent. As far as stockholders are concerned, our expectations are that a joint stock company could have, on the average, around 4,000 stockholders, which is not a terribly high number. This is even technically manageable.

[Mrnka] In the case of some enterprises, of course, these stockholders become owners of huge wealth; in other cases, they will go bankrupt. Have you any notions about which is the best strategy?

[Triska] I have just written an information brochure on coupon privatization and at its end I recommend that the best strategy is to select an enterprise in which I believe and make the maximum investment in it in the first round. All maneuvers which count on securities being sold cheaper in subsequent rounds I consider to be highly risky. Because if an interested party waits for a lower price, he takes the chance that the securities will be sold out.

[Mrnka] You say that no one is capable of estimating how any one enterprise is doing. Your former colleague, Engineer Klacek, the director of the Economics Institute of the Czechoslovak Academy of Sciences, claims that by comparing the inputs and outputs of enterprises in world prices, information about a good third of our industry has been known for several years.

[Triska] I suggest to all those who propose a state structural policy to save the so-called promising enterprises that they should establish consulting firms and advise people as to where they should spend their coupons. We shall see how people will listen to them. I would like to personally ask them where they will invest their coupons?

[Mrnka] You said that people would prefer to buy securities of enterprises with which they are familiar, which exist in their immediate vicinity. In other words, securities of enterprises in which they are working. Does this mean that you are disarming your ideological opponents and that you are offering a modified ESOP [Employee Stock Ownership Plan] system—in other words, a system of employee securities?

[Triska] That is the cruel side of things. Unintentionally, we shall, in fact, create employee stock ownership. In the same spirit, we shall even create managerial stock ownership. Of course, this will not be good for the enterprise because this policy has its serious features. I even explained this in parliament; efforts to establish an ESOP system have an open door in coupon privatization. Of course, it depends on whether the employees themselves will want something like that. Nevertheless, we are prepared to tolerate this consequence because a secondary market will come into being and the securities about which we are talking will be tradable. They will, in other words, not be tied to employment, but will be salable on the stock exchange.

[Mrnka] Thank you for the interview.

### Concern Expressed on Declining Exports

91CH0850C Prague HOSPODARSKE NOVINY  
in Czech 2 Aug 91 p 6

[Interview with Eng. Jiri Brabec, first deputy federal minister of foreign trade, by Marcela Doleckova; place and date not given: "Exports Are in the Hands of Exporters"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The decline in sales in the domestic market perhaps continues to be considered by some enterprises as a transitory phenomenon which will pass and let them once more become the rulers of the domestic market. Only that is a mistake. Even after the revival of demand, they will already be confronted with new competition, including foreign competition. Therefore, it is necessary for enterprises to penetrate into the foreign market and they should do this all the more rapidly as long as an advantageous rate of exchange for the koruna is playing into their hands. We discussed foreign trade policy with Eng. Jiri Brabec, first deputy federal minister of foreign trade.

[Doleckova] The foreign trade sales of Czechoslovakia, when compared with, say, the Netherlands or Belgium, amount to barely one-sixth and, furthermore, they are declining. Where are the reasons for this?

[Brabec] The decline in foreign trade sales is a manifestation of an entire series of internal and external difficulties and yet there are certain shifts to be seen. A positive shift is occurring in the territorial focus: Whereas in previous years, imports and exports were tied primarily to the USSR and to the countries of the former CEMA group (they accounted for 60 percent of the foreign trade volume), today, in contrast, we are achieving more than 60 percent of our foreign trade sales in countries with a developed market economy and in developing countries. And the territorial shift does not represent a change of one dependency for another, it involves diversification to several countries. On the other hand, there is a negative shift with respect to the commodity composition of exports. The share of engineering products is declining.

[Doleckova] But does not the shift have to do with the loss of deliveries to eastern markets?

[Brabec] Unfortunately, if we do detailed analyses, we are finding out that the share of engineering products is even declining in exports to the USSR. Perhaps it is possible to find a certain excuse in this specific case in Soviet investment restrictions, but, for example, the share of engineering products is also declining in exports to Germany—with the exception of automobiles.

[Doleckova] Is this phenomenon perhaps so specific today that it could be attributed to the reforms?

[Brabec] Definitely not. The decline in the export of engineering products is a reflection of long-term problems besetting the Czechoslovak engineering industry



which proved unable to maintain the necessary pace of innovation and, thus, even of the technical level, essential for functioning on world markets. It is still possible to sell a certain type of machine, the manufacturer does not implement any innovations, and, suddenly, the customer says to himself—enough. And then it can look like a setback, but it is more likely an unfavorable trend. If, on the one hand, the reforms have stimulated the territorial expansion of our sales, then, unfortunately, they have thus far not been able to initiate new production with sufficient speed. Of course, this is also the result of the objective opportunities at the disposal of the engineering industry, where development and introduction of new products requires a certain amount of time. It is simply a consequence of longer-range backwardness.

[Doleckova] What can the ministry do in this situation, and what is it doing?

[Brabec] The ministry cannot conduct, and should not conduct, foreign trade, it needs to create appropriate conditions for it. Business belongs in the hands of entrepreneurial entities. As far as the activities of the ministry itself are concerned, we have liberalized foreign trade, so that entrepreneurs can handle it for themselves, provided they do not decide to utilize the services of trading firms. We are attempting to acquire the best conditions for export products in foreign markets. With respect to developed economies, this means, for example, customs duty relief and increasing or eliminating existing import quotas. We are forging an information system which will serve both the state administration and also individual entrepreneurs. We are asserting the establishment of an organization to support export and we are currently engaged in preparing its statutes. In the former CEMA area, we are searching for all of the methods which might facilitate commerce at a time when our partners do not have sufficient free currency funds. The recently signed payments agreement with the Russian Federation is an example of this.

[Doleckova] These are steps to support exports. But even developed economies are resorting to protecting their own manufacturers.

[Brabec] We are trying to do the same because there are production processes which are promising for the future and which are, meanwhile, not capable of full competition which arises the moment we open ourselves up to the world. That is why it is appropriate to make active use of tariff and nontariff instruments of commercial policy, which are in harmony with the principles of the GATT. For example, we are talking about measures asserted through the form of license proceedings for imports, but also other measures. In our case, we are also concerned with an extensive restructuring of the customs duty table. All of this represents an enormous volume of work and complicated international negotiations. We are also negotiating regarding an association agreement with the EC and we are negotiating with the European Free Trade Association [EFTA] regarding an agreement on custom-free trade. In both cases, Czechoslovakia will

become part of the zone of free trade with an asymmetry of advantages favoring Czechoslovakia in the early period following the time these agreements become effective.

[Doleckova] A number of new entities have initiated foreign trade activities, many of whom are completely inexperienced. Do you not think that they need a certain kind of "supervision" by the Federal Ministry of Foreign Trade, so that they do not damage their own interests or those of the state?

[Brabec] It must be admitted that a number of new entities in foreign trade are actually committing mistakes. Nevertheless, I believe that the liberalization which was undertaken was the only possible way in which the activities not only of new private entrepreneurs, but also of production enterprises could be initiated with adequate speed to allow them to make their own decisions whether to avail themselves of the services of trading companies or not. I admit that our exporters sometimes underbid on the price side. The enterprises believe that they have "won" in this manner, but they do not realize that they cause a decline in the export prices for the entire sector. Experienced Western firms never do this.

[Doleckova] Can you be more specific?

[Brabec] Easily; for example, the textile mills which told me themselves that, at first, they were enthusiastic to be "going out" without the help of the Centrotex foreign trade company. Very soon, however, they realized that they will either begin using that company's services again or they must create a coordination mechanism for the control of prices for themselves. Prices also show evidence of other problems: the developed economies have a thoroughly worked-out system of antidumping proceedings. We encountered this system, for example, recently while exporting cement for, let us say, cut-rate prices. This is the area in which the greatest danger lurks for Czechoslovak exports with possible consequences over a series of years.

[Doleckova] In this connection, how do you judge the future prospects of the foreign trade organizations?

[Brabec] With the exception of two, these are all joint stock companies today whose securities are frequently owned by the manufacturers utilizing their services. I believe that some of these companies will split up into smaller units, some will probably go under, but those which show an entrepreneurial spirit have a great future because trading companies exist all over the world and offer advantages primarily to smaller manufacturers. They offer their own network of foreign representatives with a knowledge of the markets, they have stronger capital resources, they can help manufacturers to obtain credits.

[Doleckova] Voices are being heard indicating that the Federal Ministry of Foreign Trade is a relic of centralized control.



[Brabec] At the level of every state, there must always be a whole series of activities which create a unified environment for external economic relationships. Of course, there are various models. There are countries which have ministries of foreign trade or which are actively incorporated in a ministry of commerce or economics, or where such activities are part of the ministry of foreign affairs. All of these models function and all reflect the specific situation, the requirements of the given state, and their historical traditions. I personally believe that, for our specific situation, where the struggle for markets and conditions in them is of extraordinary importance to our economy, it is most advantageous to concentrate appropriate activities in one ministry of foreign trade.

[Doleckova] And to conclude: How is Minister Baksay?

[Brabec] Thank you, he is much better. I am looking forward to the time when he will actively resume his office and, from what I learned when I spoke with him, he is also looking forward to that time.

### **Joint Siemens-Tesla Enterprise Evaluated**

*91CH0850D Prague HOSPODARSKE NOVINY  
in Czech 6 Aug 91 p 7*

[Article by Richard Stregl: "Tescom Brand Telephone Centrals—The Modernization of Communications Continues Only on Paper"]

[Text] Digital telephone centrals will be produced in Czechoslovakia on licenses provided by the Siemens Corporation by Tescom, the joint enterprise established by this very German firm and our producer of telephone centrals—Tesla Karlin.

HOSPODARSKE NOVINY spoke with Eng. Zdenek Kopecky, director of Tescom, and Eng. Milan Pavlica, director of Tesla Karlin, regarding the conditions for the establishment of this joint enterprise and of the difficulties involved in the rapid modernization of our telephone network.

The Tescom Enterprise is a company with limited liability and a basic capitalization of 20 million German marks [DM]. The Siemens Corporation owns 49 percent of the securities and it provided technology and cash. Tesla Karlin provided the land, complete with its building in Prague-Hostivar, as well as know-how, which, in this case, is knowledge of our market, our analog telecommunications net and the networks of the other former CEMA countries, particularly of the Soviet Union, to which Tesla Karlin was successfully delivering telephone centrals and continues to do so. Of the other conditions anchored in the agreement, it is worth mentioning the guarantee by the Siemens firm that it will purchase 30-40 percent of the Czechoslovak-produced EWSD digital communications systems for its sales outlets. It is understood that Tescom can deliver a random quantity of these devices to our market or to the markets of the former socialist countries.

Preparations for the initiation of production in the new enterprise were characterized by Engineer Kopecky: "Currently, at Hostivar, the production shop is being reconstructed in accordance with documentation provided by Siemens. It will be ready by the end of September and, as of October, assembly of the technology will begin. This pace cannot take longer than two months and we therefore anticipate that production will be initiated even before Christmas. First, we shall be producing subscriber racks, which represent the largest volume of our work. The entire assortment should begin being produced in our enterprise within three years, we will be permanently importing only some installations of a small-series character, for which the acquisition of testing equipment is not economical."

During the first phase, Tescom will employ about 100 persons; in the second phase, 250 to 300; and in the third phase, 700 persons, which is the total anticipated staffing. These stages are not specified in any kind of time frame, their duration is dependent on the quantity of orders received by the firm. We were surprised to find that Tescom still has no specific orders on hand, and we therefore asked Engineer Pavlica how this is possible when the Siemens Corporation, by occupying one of two first places in the competition for the delivery of digital telephone equipment for Czechoslovak communications, captured 30 percent of this market and whether this fact does not have an adverse influence upon the initiation of production within the Tescom Enterprise?

"It will obviously not influence the initiation of production because we do not expect it to get under way until the end of this year and the director of the Administration of Posts and Telecommunications in Prague assured me that specific contracts with Tescom will be concluded by the end of August. However, the same cannot be said regarding the modernization of communications. The timely conclusion of contracts would speed up the elimination of shortcomings in telephone connections and would help solve the overload situation in our network. Contracts could have been signed in accordance with the worked-out project immediately after evaluating the tender. The results were known as early as 23 May of this year, when they were discussed by the federal government; we were notified by E. Ehrenberger, minister of communications, by letter, dated 6 June. However, since that time nothing is happening, despite the fact that all specialists know that digital communications systems are not produced for inventory purposes and deliveries cannot be expected for up to six or eight months after concluding a contract. Moreover, funds are available for the immediate acquisition of communications equipment because the Siemens Corporation will provide credits of up to DM150 million, the repayment of which has been deferred for a period of five years."

Whether to conclude a contract with Tescom or directly with Siemens is fully within the jurisdiction of the Administration of Posts and Telecommunications in Prague and, consequently, we were interested in the reason why it continues to procrastinate. In response to

this, Engineer Pavlica said: "The Administration of Posts and Telecommunications in Prague commissioned the firms of Detecon and Bell Atlantic to work out a study on the best configuration of a digital telephone network and is now evaluating the individual variants and comparing them. The results should perhaps be announced by the end of September, but, in my opinion, they could have long ago discussed specific projects for telephone centrals because, even without this latest study, it is clear where the majority of the large central offices would be located. This is absolutely clear with respect to international central offices. How topical this problem is is surely understood by everyone who is currently trying to place a call, say, to Austria or to Germany, in vain."

Will Tescom be striving to make the remaining 40 percent of the deliveries of digital telephone centrals for the modernization of the telecommunications network (apart from the Siemens Corporation, the Alcatel SEL firm assured itself of the second half of the granted 60 percent of the market by winning a covictory in the competition)? "Of course, we shall be trying," responded Engineer Pavlica, and his disturbance over the progress of the work involved in the modernization of communications once more turned against the Administration of Posts and Telecommunications in Prague: "In my opinion, time is being unnecessarily lost by procrastination regarding which of the additional communications systems will be bought for our telecommunications network and under what conditions, when this was already once decided in the tender offer and the decision was made in favor of the S 12 system of the Alcatel SEL Company and the EWSD of Siemens. It is necessary to realize that the majority of countries have two communications systems in their telecommunications arsenal and only some of the largest, like, for example, the United States, have three. The more systems there are, the more costly does the operation of the telephone network become, because each system requires a service center and an oversight center, requires the training of specialized personnel, requires testing and trial installations, and, last, but not least, requires its own documentation."

But let us return to Tesla Karlin which will, of course, continue to exist alongside Tescom. Currently, the enterprise employs 5,300 employees and operates four enterprises outside of the city of Prague (Nyrany near Plzen, Ceske Budejovice, Ostrov u Karlovych Varu, and Podvysoka-Staskov in Cadca Okres) which, within the framework of large-scale privatization, will obviously become independent. Tesla Karlin will thus shrink to 1,600 individuals, which is, however, not the final status because a part of the administrative and management apparatus will have to leave the former enterprise management as well. According to Engineer Pavlica, the rest have their immediate future still taken care of because sales of analog centrals are assured for a period of two years into the future and perhaps even for a longer period, if the USSR can find the money to import them.

For the time being, this money has always been found because people must use the telephone, and in the USSR, just as is the case in this country or in Germany, the older analog-type centrals will continue to exist alongside digital telephone centrals for a long time to come.

### **Dyba Examines Results of Industrial Transformation**

*91CH0850E Prague HOSPODARSKE NOVINY  
in Czech 6 Aug 91 p 8*

[Article by Eng. Karel Dyba, minister for economic policy and development of the Czech Republic: "The Necessary Consequences of the Transformation Process—On the Causes for the Decline in Industrial Activity"]

[Text] In June, industrial production in the Czech Republic declined by 32.2 percent in comparison with the same period of last year, including a decline of 36.3 percent in enterprises employing more than 100 employees. For the first half of the year, the overall decline in industrial production amounted to 15.4 percent, including a decline of 16.9 percent in enterprises employing more than 100 employees.

The above numbers appear to be somewhat higher than one could have expected at the beginning of this year. However, in interpreting them, we need to take several factors into account.

First, in recomputing the volume of goods production from current into comparable prices, use is made of price deflators, whose design is based on structures and weights representative of the base year of 1989—because, for the time being, the state statistical authorities do not have other figures at their disposal. In the 18 months just passed, the economy underwent a significant set of shifts regarding the sectoral structure of industrial production, irrespective of the fact that enterprises are changing their conduct today, they are acting in the market-type manner and under the pressure of the surrounding environment and, in the interest of lowering their costs, are replacing more expensive raw materials and materials in their production consumption with cheaper ones. For these reasons, neither representative figures nor their weighted totals lack the necessary topicality.

I estimate that in using customary representatives and weights, that is to say, those for this year, the decline in industrial production would be approximately 3 to 4 points less. Thus, it would amount to not 15.4 percent, but approximately 11-12 percent.

### **Not Every Decline Is Undesirable**

This claim cannot be directly documented by comparing data regarding production in comparable prices and in natural units. Thus, for example, in the engineering industry, the physical volume of production declined by 12.2 percent, expressed in value terms for the first five

months of this year, and yet the production of metal-cutting machine tools only declined by 11.8 percent in terms of individual machines produced, the production of textile machines by 5.7 percent, the production of wheeled and track tractors declined by 1.5 percent. At the same time, the production of washing machines rose by 4.4 percent, that of leather-working machines by 13.8 percent, that of metal-forming machines by 15.4 percent, and production of automobiles rose by 34.6 percent.

The same is true in other branches of industry, for example, in the textile industry and in the foodstuffs industry or in the building materials industry.

Second, not every drop in production is undesirable, in my view. It is downright essential that production which has no guaranteed sales or which is not capable of competing, be restricted; so should production which is constantly a money-losing proposition, or possibly production which has negative consequences with respect to the environment. From this standpoint, for example, one could justify a substantial decrease in the production of nonferrous metals during the first half of this year.

Fundamental changes in price relations with an overall prevalence of supply over demand, quite understandably lead not only to visible shifts in demand in the economy, but also to a corresponding reaction on the part of enterprises with respect to production. These changes tend to be quite sharp. Thus, for example, in the building materials industry, there is a desirable decline in the production of concrete and reinforced concrete structural components (the index in terms of natural units for January through May was 61 percent), whereas the production of ceramic tile (index being 111.3 percent) and fired masonry materials (index of 102.5 percent) is increasing.

Third, certain positive changes in the conduct of industrial enterprises are reflected in improvements in their supplier discipline and there are even signs that enterprise insolvency is being remedied by reducing the status of previously accumulated inventories. In the interest of these developments, enterprises today are restricting the amount of work in progress and the amount of production for inventory purposes and, at the same time, are reducing their inventories of raw materials and supplies.

These are clearly positive changes which are, however, reflected in statistical records as declines in the dynamics and in the "thinning down" of goods production indicators.

Fourth, a number of enterprises in the ready-to-wear and leather industry, but also in the engineering industry, are operating, for pay, for production or commercial enterprises in the West. The extent of paid work for foreign customers is constantly growing, yet, in the volume of domestic production, the goods are reflected only on the basis of their added value rather than on the basis of turnover, that is to say, including the value of materials (excluding overhead costs), which is delivered by a

foreign customer and which would, otherwise, be increasing the production value of the goods involved.

### **The Market Environment Will Be Cultivated**

As far as the pure pace of industrial production for the month of June is concerned, I consider it necessary to draw attention to two factors.

This June, the calendar fund of worktime was one day shorter than in June of last year. This was reflected in a negative way by approximately 4.8 points in the monthly index of industrial production.

The final months of the first and second quarter of last year, that is to say, March and June, essentially have a higher starting base than do other months because, at the close of the quarter, enterprises were still continuing to "spasmodically" press their production forward so as to fulfill the plan and to facilitate the paying of bonuses and rewards. This year, the reasons for this "spasmodic" activity passed because totally different principles for remuneration prevail.

If I am to sum up, then this year's decline in industrial production goes along with my expectations, that is to say, it is an essential consequence of the deep transformation process ongoing in our economy which survived for more than 40 years in a "greenhouse" environment.

In part, the decline in production is desirable because it is taking place in sectors, production processes, and enterprises whose development cannot be efficient in the long run. In these production processes, we simply do not have any comparative advantages.

In part, this year's decline in production is being caused by external factors which are not under our control, particularly by the disintegration of traditional markets in the former CEMA countries. While we can argue as to the extent, there is no doubt that these developments account for a substantial portion of the decline.

In a fundamental manner, the enterprise sphere itself is responsible for the lower volume of demand by instituting excessive price increases.

Economic policy reacts naturally to developments in the economy, even though I admit that there will always be different opinions regarding this reaction. After carefully considering the overall situation, an inseparable part of which is an analysis of the declaratory capabilities of statistical data, the governments of the republics adopted a number of economic policy measures aimed at keeping the decline in industrial production within desirable limits. I have in mind, particularly, the rise in public spending, the lowering of the sales tax, and steps to adjust payments conditions for business transactions involving the USSR.

I am aware of the fact that the effectivity of the adopted measures will not be immediate and that they will have a differing impact on individual enterprises. I therefore anticipate that a certain lowering in the dynamics of

industrial production could continue through the third quarter, although this decline could stop at the end of this year.

Therefore, I do not see anything unexpected in the existing development of industrial production. Of course, it is obvious that, given the inadequacy of market mechanisms, there is a decline in production which is not always restricted to inefficient and thus undesirable production processes. Gradually, as the market environment is cultivated, the number of such cases will also be declining.

### **Agricultural Market Steps Explained by Adamec**

*91CH0854B Prague HOSPODARSKE NOVINY  
in Czech 9 Aug 91 pp 1, 3*

[Interview with Miroslav Adamec, CSFR deputy minister of economics, by Josef Prouza; place and date not given: "A Maw for Surpluses"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The dissatisfaction of farmers has been partially alleviated by news of the establishment of the Federal Fund for Market Regulation. However, there are frequently some highly distorted notions regarding its mission and possibilities, much as there are about prices in intervention purchases, the subsidizing of the export of agricultural surplus products, etc. We requested some clarification from Miroslav Adamec, deputy minister of economics of the CSFR.

[Prouza] First, let us recapitulate the current status of work involving the Federal Fund for Market Regulation (FTR).

[Adamec] We succeeded in something which should have been functioning from the beginning of this year. On 5 August, the leadership of the Federal Assembly approved legal provisions establishing the FTR. This was preceded by government agreement and approval of the principles of solving surpluses on the agricultural market this year. This also led to the basic funding available to the FTR for this year, namely 3.4 billion korunas (Kcs). We anticipate that the fund will be solving grain surpluses, specifically food industry grains, where intervention bulk buying represents 1.26 million tonnes of wheat and 200,000 tonnes of rye. Within the FTR, Kcs1 billion are set aside for these purchases.

We further anticipate that we will be buying all surplus milk and milk products. Until the FTR is actually constituted (the legal provisions must be published in the Collection of Laws, and the government must then approve the statutes for the fund), we would like to solve this question through intervention purchases to bolster federal material reserves and will be purchasing milk, butter, and all types of powdered dry milk. In addition to these purchases, there will be export subsidies for soft cheeses and slaughter cattle, both steers and cows. We expect that subsidies will be granted for every kilogram

of exported steers and heifers. If the bulk-buying authorities plan to pay Kcs28 to the primary producer, the subsidy will amount to Kcs13 for cows (where the bulk buyer gets a price of Kcs18), then exports will be subsidized at Kcs10. The original provision guaranteeing the price of a liter of first-quality milk at Kcs5.40 has remained intact; the price of slaughter steers and heifers declined to Kcs28 from Kcs35-40, and the price of wheat and rye dropped (to Kcs3,000 or Kcs2,900 per tonne, which will be the bulk-buying price).

[Prouza] Some farmers visualize the FTR as an organization which will be allocating subsidies to everyone—a little bit for everyone.

[Adamec] In no event will the fund subsidize products on the domestic market; it will be subsidizing and making intervention purchases only for export purposes. This is a different technique. On the one hand, we need funds to be able to make intervention purchases, but we can make these purchases on credit, so that the FTR will even be drawing on its credit, and the funds which the state budget provides to subsidize it are supposed to cover the expenditures involved in storage, circulation, interest payments, manipulation, and possibly even the difference between exports and production which should be functioning once the FTR is reality.

The fund is supposed to solve the question of a balanced market. How the situation will be developing in the agricultural product market, this is a matter for the farmers themselves. In this republic, bulk buying accounted for 1.7 million tonnes of food industry wheat and 400,000 tonnes of rye, for a total of 2.1 million tonnes of grain. If the state enters the market and buys up 1.46 million tonnes, then 700,000 tonnes will be left over for normal bulk buying. In other words, this represents a substantial withdrawal from the domestic market because the wheat and rye involved will not return to it, but rather will be in storage or will be exported. Then every agricultural enterprise will have to take care of itself and assert its price in the balanced market, perhaps even at a higher level. The same will be true of milk. Here, it is not a matter of paying everyone Kcs5.40, as everyone was shouting at once that we must pay a firm price! Farmers must assert themselves; they can sell their milk for, say, Kcs5.80 if there is a shortage.

[Prouza] The situation is somewhat more complicated with respect to meat. Do we know what to do with it?

[Adamec] It is generally known what kind of beef surpluses exist, particularly in Europe. The FTR will function in two areas: it will make intervention purchases of commodities which can be stored (butter, dry milk powder) and it will subsidize exports for products which must go abroad immediately (meat, soft cheeses).

We have barter agreements with the USSR at a level of 64,000 tonnes. We can place approximately 15,000 tonnes of slaughter cattle (I mean live weight, that is) in territories in Africa, etc. The Italian Government is providing assistance for the USSR. We are negotiating to

try to have this assistance also be rendered through Czechoslovak goods. HOSPODARSKE NOVINY carried some information, which I did not even know about, indicating that even the Republic of Korea is increasing its quotas. As far as butter is concerned, the situation regarding support for export commodities is not so complicated. Of course, we are not successful in producing butter inexpensively, subsidies must be high in order for us to be able to export; in this case, in other words, it is more a question of money.

### Cooperatives After Privatization Viewed

91CH0854D Prague HOSPODARSKE NOVINY  
in Czech 12 Aug 91 pp 1, 3

[Interview with Eng. Ota Karen, chairman of the Cooperative Union of the CSFR, by Jana Havligerova; place and date not given: "My Capital, My Labor"]

[Text] [Havligerova] As members of cooperatives, as you recently stated, you were pleased within the union to find that it is possible to also assure large-scale privatization by having the employees of enterprises create cooperatives. Would you say something more specific on this subject?

[Karen] The transformation of state enterprises through the form of cooperatives can be accomplished in two ways. The cooperative movement always existed in the past and its entrepreneurial form exists in the market economy where, for example, people come together under two prerequisites in a production cooperative. These are their willingness to invest capital in their economic future, and, at the same time, to invest their labor, that is to say, to connect capital with labor into one unit. In other words, if people are willing to do this, for example, in a smaller enterprise (cooperatives are suitable only for small and medium-size enterprises), they form a cooperative which could, within the framework of large-scale privatization, buy up the enterprise and there would be nothing to prevent them from working out their own privatization project, from putting together their own capital, or from getting a loan from an appropriate bank as a cooperative for the purchase of the enterprise's net worth and from beginning to operate.

[Havligerova] This then is one form, and how about the second?

[Karen] Even this form is suitable for smaller enterprises. It does not result in the direct formation of a cooperative which would engage in entrepreneurial activities, but the formation of a cooperative of owners of privatization coupons. It must be taken into account that there will not be any particularly great interest from the outside in depositing coupons precisely into smaller, not overly well-known enterprises and enterprises which are not overly exclusive. And this represents a chance for today's employees and their family members to exert

their influence through the vehicle of coupon privatization upon the future activities of the joint stock company. It is precisely by combining their own investment coupons and those held by members of their own families that they can acquire a decisive package of securities. These can amount to the 40-percent as required, or there could even be fewer.

Essentially, what is involved here is the method by which the statutes of the corporation will be compiled. In other words, whether certain entrepreneurial decisions will require a qualified two-thirds majority, etc. In the above case, there is no need for 51 percent of the securities, a package of securities reflecting something a little more than one-third of the securities is enough. And this kind of ownership of securities can be attained precisely by establishing a cooperative, by the joint assertion of coupons involving one enterprise and by continuing the operation not as a cooperative, but in mutual coordination with the former owners of coupons, who later become the holders of a decisive quantity of securities.

[Havligerova] Are you convinced that a sufficient number of qualified people can be found to permit the assertion of the form of privatization you have listed?

[Karen] Of course, every cooperative must have managerial leadership. It must also exist in a cooperative which would wish to buy out the enterprise; in such a case, it must have a clear entrepreneurial strategy. I therefore believe that everything depends on the kind of management which exists in one or another of the enterprises at present. If it is good, entrepreneurially brave, and if it enjoys the confidence of its own workers, then it naturally has the opportunity to assemble even a privatization project and create a cooperative. And because it has at its disposal the best information available, it is bound to create a better privatization project than someone who is a stranger and who is not familiar with this information directly from its source.

[Havligerova] Where do you see the advantages in the "cooperative forms" of large-scale privatization?

[Karen] In two things. First, you cannot anticipate that everyone will prove capable of being an entrepreneur. Not everyone has the funds or even entrepreneurial capabilities. Even this is one of the reasons why artisans create cooperatives in the West, in a market economy. It is simply the same as privatization by establishing a cooperative. The second reason is based on the fact that a member of a cooperative assures himself of a permanent job on the basis of his membership. This is something that, in a market economy, no employee of a private enterprise has. According to standard cooperative rules—and we must arrive at them legislatively as soon as possible—a member of a cooperative can be excluded only for violating the statutes of the cooperative. And he cannot be given "notice" within some kind of legally stipulated time frame. I believe, therefore, that, particularly in smaller communities which have, say, only a single enterprise, even the fact that membership in

a cooperative can result in the assurance of a permanent job will play a very important role with respect to the creation of cooperatives. Of course, whether such cooperatives will be successful or not, I cannot predict. It will simply depend on how they hold up under market-type competition.

### **Industrial Managers View Future Wage Increases**

*91CH0854C Prague HOSPODARSKE NOVINY in Czech, Slovak 8, 9, 12 Aug 91*

[Unattributed article in three installments: "Will Wages in Enterprises Go Up?"—first paragraph is HOSPODARSKE NOVINY introduction]

[8 Aug p 1]

[Text] In our final probe to see how enterprises plan to come to terms with the Czechoslovak Government regulation dated 25 July which shifted the wage increase from the current 22 percent to 29 percent, we present additional views by representatives of production organizations.

**Eng. Dimitrij Morkovin, Candidate of Sciences, Economic Deputy Director of the CKD Duka Joint Stock Company**

Thus far, we have had a wage growth of 22 percent. In our collective bargaining agreement, we obligated ourselves to utilize the provisions stipulated by the government. However, we did not anticipate such a high limit. Nevertheless, we would like to keep our word. However, the prerequisites for this are savings involving other expense categories.

**Eng. Nikola Geisler, Chief of the Personnel Social Department of the Orion Chocolate Factory in Prague**

Thanks to good sales, Orion has, for the time being, made use of every possible wage increase provision. Because interest in our products is remaining steady, even with our foreign partners, it is expected that we shall be able to apply the permitted valorization to 29 percent.

**Eng. Oldrich Struminsky, Head of the Finance Department of the Nova Hut Ostrava Metallurgical Plant, State Enterprise**

At the present time, the enterprise is able to pay the 29-percent wage increase. Following an economic analysis from the viewpoint of total production and product sales, where we anticipate a decline and following evaluation of the real financial situation, a decision will be made, together with representatives of the trade union association, as to how to proceed. The above wage increase under our conditions represents a sum of 22 million korunas [Kcs] per month. In comparison with the first half of 1990, average earnings here have risen by about Kcs1,000.

**Eng. Alexej Krines, Candidate of Sciences, Director of the Olsany Paper Mill, Joint Stock Company**

Thus far, we have made use of the wage growth provision, but after a radical deterioration of the sales situation at the end of June and beginning of July, which was manifested in a serious lowering of profits, we will probably not have the funds necessary to increase wages.

**Miroslav Penicka, Director of the Kovoavody Semily Metal-Working Plant, State Enterprise**

I believe that this will not apply to our enterprise at present. In view of the ongoing changes involving restitution and privatization, we must first be clear about how the enterprise should look from the organizational standpoint. If a joint stock company comes into being involving the remaining plants, then we will also deal with this provision.

**Eng. Jaroslav Valousek, Director of the Synthesia Sementin Chemical Plant, State Enterprise**

Unfortunately, under the present economic conditions, the majority of Czechoslovak state enterprises must be guided by a philosophy of survival and we can, therefore, not afford a 7-percent increase in wage expenditures.

The efforts of the government are certainly praiseworthy, but I must, nevertheless, remind readers that, even at the top levels, problems which substantially limit the further development of enterprises and of employment have still not been solved with any finality. For example, these involve the direction of development of the macrostructure of the national economy, the final solution of commercial financial relationships with the Soviet Union, conversion of armaments production, questions of the possibility of being allowed to freely dispose of property, etc.

[9 Aug p 1]

[Text]

**Eng. Juraj Patek, Economic-Commercial Deputy Director of the Vinoprodukt Bratislava Enterprise**

Thus far, we have gone along with the maximum growth of wages, that is to say, 22 percent, despite worsening sales conditions, and, as long as we are able to create resources, we shall utilize the wage regulation permitted by the state—in other words, an increase to 29 percent.

I personally am a little pessimistic, because given our credit burden and the high bank interest rates this will be very difficult, particularly since we are a seasonal enterprise. But, despite this, we shall attempt to do the maximum.

**Eng. Antonin Kner, Economic Deputy of the Liaz Jablonec nad Nisou State Enterprise**

We are not making full use of this provision. The July directive on wage growth can be applied by us only to the

extent to which the enterprise creates economic results for us. This extent will be discussed with the trade union organization in September.

**Vaclav Stix, Chief Labor Economist, Karlovy Vary Porcelain Plant**

We examined all possibilities, but in view of the high degree of secondary insolvency, the management of the enterprise has decided to leave the wage increase rate at 22 percent for the beginning of the third quarter.

**Eng. Pavel Svoboda, Director of the Elektro-Praga Hlinsko Joint Stock Company**

A sizable portion of our production is exported to developed Western countries and to prevail there means we have to be attractive from the quality as well as the price standpoint, that is to say, we must try to produce at minimum cost, both with respect to materials and also wages. That is why our wages this year grew by 15 percent. We anticipate that this level will be retained for the subsequent period.

**Jiri Ptacnik, Technical Deputy of the Cakovice Meat Combine, State Enterprise**

We shall not make use of the provisions during the third quarter because current market conditions do not make this possible for us. Currently, sales of meat and meat products in the city of Prague have declined expressly and it is not possible to lower our overhead costs any further.

[12 Aug p 1]

[Text]

**Eng. Milan Bacak, Economic Director of the Barum Otrokovice Joint Stock Company**

For this year, our collective bargaining agreement contains a method according to which valorization copies gross wages. During the first quarter, we valorized using 5 percent, in April and May, 9 percent. In July, we will agree on 22 percent, and, very likely, the same value will apply even for August. We will make a decision on what to do next based on our results at the end of September.

**Eng. Eva Hanslikova, Economic Director of the Tesla Holesovice Joint Stock Company**

On the domestic market, there is a decline in interest in our products and, to make matters worse, consumers are not paying us. Essentially, we are dependent on exports.

But light sources are a seasonal affair and therefore we are anticipating increased sales beginning in September and October. We are not making full use of the directed growth of wages. If we have the funds, we shall pay employees the appropriate amount in a supplemental payment on top of their wages for the last month of the year. In the second quarter, our average wages rose by 15 percent.

**Eng. Ludvik Kurfurst, Head of the Department of Finance and Wages and Salaries at the Ostrava-Karvina Mine Construction Enterprise**

We are valorizing in accordance with our possibilities. Calculations show that we are utilizing a valorization of approximately 24 percent within the quarter. We are paying higher bonuses to workers as of February, which represents a 7 to 8-percent increase in average earnings. Of course, economic pressure on creating profits is now high and will probably prevent us from making full use of the directed growth of wages provision. The enterprise has 3,300 employees and we are paying out virtually Kcs1 million a month only to increase payments in kind (having to do with increased prices for fuels).

**Eng. Jan Misko, Economic Deputy Director of the Tatramat Poprad Joint Stock Company**

This is quite a treacherous question. In any event, we shall be striving to make maximum use of all opportunities inherent in the government regulation. Following a certain stagnation, which was caused by the liberalization of prices and as a result of the tax burden, which has fortunately decreased as of July, there has been a revival of interest in our automatic washing machines and water heaters. We anticipate stabilization of sales of these products. This will also determine our progress.

**[HOSPODARSKE NOVINY]**

There are enterprises who have the funds to increase wages, but as can be seen from our series there appear to be more enterprises which simply cannot afford a substantial growth in wages. They must be guided by the iron logic of savings in all expense categories, have a philosophy of survival. It has also turned out that the relatively high limit of wage growth did, in the final analysis, surprise even the more prosperous firms. Even they will have troubles keeping their promises to employees which are even anchored in many a collective bargaining agreement, and which promise to pay as much as the government permits. Valorization is thus becoming a test of the truth as to what our real situation is in the enterprises prior to initiation of privatization.

**Kupa, Finance Ministry at Odds on Tax Policy***91CH0840A Budapest NEPSZABADSAG in Hungarian  
7 Aug 91 pp 1, 4*

[Article by Karoly Csabai detailing interview with Finance Minister Mihaly Kupa by Csabai and other correspondents; place and date not given: "Which Tax Proposal Is the Basis of Their Bargaining Position? Budget Deficit To Increase by 10 Billion Forints; Mihaly Kupa: 'You Cannot Ruin the Small Farmer'"]

[Text] "The minister never says anything different; his word is always the final word," Finance Minister Mihaly Kupa told our paper yesterday when asked again about the new tax proposals. For days now the public has been curious to learn which tax proposal will serve as the basis on which the ministries will bargain. For some of the basic elements of the concept made public last week, i.e., the plan to cut subsidies to small farmers and to tax hard currency earnings, were rejected by the minister of finance already on Saturday. At its own request, yesterday the Federation of the Unemployed had been invited to the Ministry of Finance but the leaders had a mix-up on the time of the appointment, so instead of a meeting, the minister of finance took it upon himself to answer questions from NEPSZABADSAG, MTI [Hungarian Telegraph Office], and Hungarian Radio.

[Csabai] How is it possible for the minister of finance to have a differing view of a tax concept that has already been coordinated within the Finance Ministry?

[Kupa] I admit that I have not read the latest version of the tax concept. But the minister never says anything different; his word is always the final word. In other words, if I say no, that is what counts. Look, it is obvious that with the value of the forint being as stable as it is and hard currency deposits doubled, you cannot start taxing hard currency accounts. Perhaps this is a mistaken idea that originated from my own staff, but you must understand that tax experts always feel compelled to tax everything. In agriculture there is still so much uncertainty that by September we will definitely have to have formulated an agricultural policy that people can look to for guidance.

[Csabai] Could the negative public reaction have had anything to do with your decision to retreat?

[Kupa] Definitely not. My statements have been prompted solely by economic considerations. You cannot ruin the small farmer, for at an inflation rate of more than 30 percent, 500,000 forints is not a lot of money.

[Csabai] And what is the situation with respect to the idea of taxing the family allowance.

[Kupa] For the moment this is still a widely debated issue. According to one variation proposed by the Ministry of Public Welfare, the family allowance would increase the tax base, but at the same time, child benefits would also increase. In essence, everyone would end up

with higher incomes. Still another solution, on the other hand, would leave everything as before. Let us see first what the government and parliament want. I must stress, however, that the news published about the tax system are merely concepts, not final positions. We are now in the process of reworking the material, and when completed, we will send it to the other ministries.

Responding to more questions, Mihaly Kupa also revealed that at the above-mentioned ministerial conference on Monday, they also discussed the 1992 budget. One of the central topics of that discussion was how to scale back state expenditures. Presently the redistributive role of the budget is about 60 percent. According to the minister of finance, expenditures can be reduced by 5 to 7 percent over three years. Together with last year's budget, by 31 August the government will also submit to parliament its new budgetary guidelines containing mostly key figures. In Mihaly Kupa's estimation, next year's deficit is expected to be around 50-70 billion forints. The 78-billion-forint deficit originally projected for this year will be exceeded by almost 10 billion forints. According to the minister of finance, if owing to an unexpected decline in revenues the state budget should further deteriorate, that would still be acceptable to the International Monetary Fund, but if expenditures were to increase, they would certainly object.

At last Thursday's session, incidentally, the government—following the prime minister's recommendation—decided to have its economic cabinet publish monthly statistics about the country's most important economic indicators. The data will be prepared primarily of the basis of input from the KSH [Central Statistical Office], the MNB [Hungarian National Bank], the NGKM [Ministry of Economy and Trade], and the Ministry of Finance. In order to avoid unnecessary complaints, in addition to publishing the balance of payments calculated on the basis of our cash turnover and the considerations put forth by the IMF, the public will also have access to information about the state of our balance of trade. Naturally people will gain a better understanding of leasing, special allotments, wage labor, and the so-called invisible items. As we have learned from the minister of finance, the data will be published with a 30-day delay, hopefully starting from early September.

**Entrepreneur Organization Condemns Tax Policy***91CH0840C Budapest NEPSZABADSAG in Hungarian  
7 Aug 91 pp 1, 5*

[Interview with Miklos Karoly, general secretary of the National Federation of Entrepreneurs, VOSZ, by Miklos Merenyi: "A Horrifying Concept; VOSZ Does Not Like the Tax Plan"]

[Text] On Wednesday, the National Federation of Entrepreneurs [VOSZ] discussed the Finance Ministry's recently finalized tax concept. Today is the day that they plan to make their criticism and recommendations



public. Before the announcement, we went to see Miklos Karolyi, the general secretary of VOSZ, to ask him about the position his organization has taken.

[Merenyi] In the past couple of days we have heard conflicting statements about how official this tax concept really is. What did you think of the proposal when you were discussing it?

[Karolyi] It is a bit comical—people were saying at the meeting of the presidium—that Minister Kupa did accept the concept of his own ministry as the official position, even though it has been presented as such all over. Despite his objections, we are taking it very seriously, and consider it to be the official position of the ministry.

[Merenyi] What was the VOSZ leadership the most concerned about?

[Karolyi] First we discussed the philosophy behind the tax concept, which the VOSZ leadership categorically rejects. The whole thing is based on the assumption that the budget is final, and the hope now is to come up with the necessary resources to support it. In our opinion somebody should first assess our country's burden-bearing capacity, and adjust the budget accordingly. Not the other way, i.e., subordinating the budget, and therefore also the tax system, to wishful thinking about expansions of offices and personnel. The concept fails to take into account the draft budget proposal submitted to parliament, which in several of its features is inconsistent with the already adopted accountancy law.

[Merenyi] Are you referring to the way it determines amortization rates and the cap it places on special purpose reserve accumulation?

[Karolyi] Yes. It is difficult to run a business when I am forced to apply the old set of rules to depreciating old equipment, and the new rules to writing off new machines. It is also absurd to have outsiders tell me how large my special reserves should be, particularly since the accountancy law contains no such restrictions. The curtailment of deductible expenses is also outrageous. These things are hardly compatible with the criteria of economic autonomy.

[Merenyi] Without them, however, the budget would lose a significant part of its tax base.

[Karolyi] I cannot argue with that, but then they should have drafted interim laws. The tax concept seems to ignore altogether the effect taxes have on the economy. Also lacking from the concept is an approach to promote private business, privatization, and compensation.

[Merenyi] One of the key arguments used by those pressing for tax reform is that most of the taxes are paid by income recipients and wage earners, while business owners pay very little of the collective burden.

[Karolyi] This, of course, is as much an executive as it is a legislative problem. But we also disagree with presenting the issue in these terms. For it blurs the distinction between the tax burdens of individual and group entrepreneurs, which is often reflected in the amount of personal income or resource taxes they pay. Naturally, we believe that businesses should also pay their fair share to the state. But we also see a great danger lurking behind this kind of social demagoguery, and in giving the tax authority powers that will empower it to start estimating individual tax obligations. No one has the right to accuse a tax payer of not paying. Let them prove it first!

[Merenyi] What is your final conclusion then?

[Karolyi] That the whole philosophy behind the concept is flawed. It is unacceptable to eliminate already established tax breaks, while passing measures that are inconsistent with the provisions of a valid law. Overall, therefore, we feel that this is a horrifying plan.

**Unemployed Organize, Seek Meeting With Kupa**  
*91CH0840B Budapest NEPSZABADSAG in Hungarian*  
*7 Aug 91 p 4*

[Unattributed article: "The Forgotten Jobless"]

[Text] Because of a regrettable misunderstanding, the meeting scheduled for yesterday at the Ministry of Finance between the National Federation of Unemployed Workers and Job Seekers and the Minister of Finance, Mihaly Kupa, was canceled. The leaders of the Debrecen-based organization had inadvertently missed the date, so the discussions have had to be postponed until Friday morning.

After the meeting at the Ministry of Finance had been canceled, we called the National Federation of Associations of Unemployed Workers and Job Seekers, and asked its president, Zoltan Zenkovics, to introduce to us this relatively unknown organization.

As we found out, the federation had been formed on 28 May by a total of 10 associations working with the unemployed. The exact size of the federation's membership is difficult to determine, but the Debrecen association boasts 1,500 members. According to Zoltan Zenkovics, to date they have found 800 temporary, 3-4-week-long—in other words, legally recognized—positions for their members. Almost 150 members have been placed in permanent jobs. The federation, incidentally, is open not only to the jobless, but also to those currently employed. The membership fee is 50 forints per month, but even that is not mandatory. In addition to the membership fees, the association has been trying to survive on the 500,000 forints it was granted by the local government through competition. The president, incidentally, also pointed out that so far they have not received either moral or financial recognition from higher echelon organizations. This is why they decided 4 to 5 weeks ago that they would pay a visit to the ministry themselves.

**500-Million-Forint Cost of Papal Visit Examined***91CH0838A Budapest NEPSZAVA in Hungarian  
24 Jul 91 pp 1, 3*

[Report by A.Cs.: "Preparations for Papal Visit; 500 Million From the State Budget"]

[Text] How much will the visit to Hungary of Pope John Paul II cost? On what did the money have to be spent, and who gave how much for the investments and preparations? In addition to answering these questions, our compilation strives to offer also some facts that are important to know.

Because Pope John Paul II will be coming to our country in his dual capacity as head of the Catholic Church and head of state of Vatican City, there are tasks both for the Hungarian state and the Hungarian [Catholic] Church. The state budget has earmarked 500 million forints for various investments; this money will go in part to the ministries concerned, and in part to the local governments of the localities the pope will be visiting. Regrettably, the Office for the Papal Visit has not released any figures on its expenses, and therefore we do not know how much the Catholic Church is spending on the Holy Father's visit. The office will be picking up the tab for conducting the church services and preparing the altars. But one thing is certain: The office has obtained the money from the Hungarian faithful and Hungarian parishes abroad, and is providing something from its own resources as well.

The pope will visit six localities, and they all have received state subsidies. The amounts of the subsidies granted the individual localities are as follows: Budapest, 8.0 million forints; Esztergom, 30 million; Szombathely, 40 million; Pecs, 32 million; Debrecen, 5.0 million; and Mariapocs, 68 million.

Generally speaking, these amounts have been spent on improving the road and telephone networks, on installing public utilities, and on landscaping. The local governments, of course, contributed to the costs also from their own budgets. About 100 million forints has been spent in all merely on roads: local roads in Mariapocs, alternate roads to relieve traffic congestion in Szombathely, and a road to the airport in Pecs.

The Ministry of Foreign Affairs has received 10 million forints from the state budget; the Ministry of Social Welfare, 5.0 million; the Ministry of Defense, 32 million; the National Inspectorate of Historical Monuments, 130 million; and the National Police Headquarters, 10 million. Subsidies in the following amounts have been granted for the coverage of the church services: 5.0 million forints to Hungarian Television; another 5.0 million to Hungarian Radio; and 1.0 million to MTI, the Hungarian news agency. The ministries and other central agencies also have contributed to these amounts, to ensure that the arrangements proceed smoothly. Other, smaller organizations have received money from the state as well. The Budapest Downtown Environmental

Association, for instance, has received 200,000 forints; its task will be to devote special attention to maintaining the vicinity of the Basilica, and to decorate the buildings with flowers during the pope's visit.

The Ministry of Defense will be providing the helicopters that will transport the pope between locations. In cities and villages the pope will be traveling in his Popemobile, which will be arriving from Italy. The reinforced cross-country vehicle with its enclosure of bullet-proof glass weighs 3.5 metric tons. Everywhere the local bishop will be accompanying the pope in the Popemobile. The high Vatican and Hungarian church dignitaries in the pope's entourage will be traveling in partially armored, closed limousines, the costs of which will be borne by the Ministries of Defense and Transportation.

Noteworthy are the arrangements to provide medical care for the pilgrims and perhaps for the pope. In Mariapocs, where about 400,000 persons are expected, nearly 1,000 doctors, nurses, and medics will be available to care for the expected patients. At the site of the outdoor mass there will be 120 first-aid stations, 25 ambulances (including four emergency ambulances), and one ambulance helicopter. The county hospital in Nyiregyhaza will be on standby alert; and also the Fehergyarmat hospital, for infectious cases. On the routes throughout the country along which the pilgrims will be travelling, the ambulance crews and the doctors on duty will be reinforced.

A few words about the costs. The honorariums of the staff providing first aid in Mariapocs will total 312,140 forints; the rental for the one helicopter will be 65,000 forints; and the cost of the 25 ambulances will be 65,360 forints, plus an hourly waiting charge of 37,500 forints. The rental for the 150 USW radiophones used by the organizers will be 180,000 forints.

Constantly at the pope's side will be his personal physician and a highly experienced Hungarian doctor. In addition, the pope's entourage will include an emergency ambulance, and in the air an emergency ambulance helicopter will be accompanying the procession. (A backup emergency ambulance will also be standing by at the scene.) The best cardiologists, internists, and traumatologists will be on alert at nearby hospitals and clinics, ready to treat the pope if necessary. On every ward in the hospitals of the localities the pope will be visiting, two beds will have to be reserved that can be guarded and are suitably isolated from the other beds. The four largest clinics in Budapest are ready to treat the pope if necessary. Between 12 and 21 August, 2,000 hospital beds are being reserved in the capital, and doctors may not go on vacation during the period.

### **Ozd Entrepreneur-Inventor Explains Success Story**

*91CH0838B Budapest NEPSZAVA in Hungarian  
22 Jul 91 p 7*

[Interview with Janos Petrenko, owner of PEKO Steel Industry Works, by Zsuzsa Varga; place and date not given: "He Aims for Pick Salami Rather Than Dry Toast"—from the reporter's forthcoming volume of press stories]

[Excerpts] [passage omitted] [Varga] The Ozd factory's output last year was nearly 2.0 billion forints. At present it is exporting to 11 countries. In a joint venture with a Swedish firm, our hero is building a greenfield electrode factory. And he has assured the prime minister that he would not let the sheet-rolling mill go bust, but would help it to recover. I really do not know what to call you. A private entrepreneur? Or a factory owner?

[Petrenko] I am listed under inventor-proprietors. I am sole proprietor of my firm. In other words, it is private property. The PEKO Steel Industry Works now employs a work force of 621. Hence it is not a small enterprise, but belongs among the large ones.

[Varga] Did you immediately have such a large work force when you bought the plant?

[Petrenko] No, not immediately. In practice the firm was bankrupt. It had incurred a loss of 475 million forints in 1989. I acquired it under a lease in 1990. From the very first day on, that meant a new approach and a new production structure. First of all it was necessary to boost the workers' morale. To tell them they are good skilled workers and their work is needed. I think it all begins with assigning everyone work of his own, in which he finds fulfillment.

[Varga] Where did you learn this new approach?

[Petrenko] From 1971 until 1979, being an entrepreneur was my secondary occupation. Since 1979, that has been my principal occupation. My main field of interest is the research, development, production, and marketing of wear-resistant materials. Those 20 years of preliminary study have given me management know-how of the kind that, in my view, every large-scale entrepreneur should have.

[Varga] Is yours basically a family business?

[Petrenko] I have two sons, aged 25 and 21. My elder son has a firm of his own. Now my younger son will also have one, so he too must learn the ropes.

[Varga] It is obvious how they are learning the business, because they have their father's example to follow. But how did you prepare for business? You had a secondary education to begin with, if I am not mistaken.

[Petrenko] No, you are mistaken. I was a skilled electro-mechanic, and what I learned from there on was entirely through self-education. I did not choose the level the curricula would have forced on me, because I was not interested in that. I attempted to invent materials which, they said, were impossible. That is something not taught at university, because then the university professor would be the best researcher and inventor, would he not? You have to look at it differently. The inventor gets ideas that often seem illogical, because the average person is unable to understand them. But that does not matter; it is one of the reasons why people are different.

[Varga] Is money merely a means of payment or something more?

[Petrenko] It gives one self-confidence and security. That is the most important. A worker who today earns 50,000, 30,000, or 20,000 forints at our plant is good for five times that amount of credit, in my opinion. That gives him self-confidence. And he is a much more important person at the PEKO Steel Industry Works than if he were in the same job with another firm. [passage omitted]

[Varga] When you were a small businessman, how did you know that your business would run also on a large scale and so securely?

[Petrenko] I never planned my research and development for a small firm. I neither can nor want to think in small terms. That I will leave to others. In practice, a factory could grow out of every one of my inventions.

[Varga] From each one?

[Petrenko] Yes, but the time for that has not yet arrived. Perhaps in five years from now we will have five factories based on five of my inventions. I do not know what the next few years will bring, what opportunities. But if I have nothing in hand, then nothing can come of it. It is good to have money also for that purpose, because only a rich man is thrifty. The person who does not have much, always getting merely a bit, and who is not responsible for the livelihoods of others, will tend to squander his money. But I must think of tomorrow, have foresight and look far ahead. Instead of living up everything I have to the last penny. One must always be on the jump, ready for renewal. Now, for instance, renewal is called an electrode factory. [passage omitted]

[Varga] Is it possible to buy people with money? Does money give one power?

[Petrenko] Money is a means of payment. One not only can but must buy people, in the ameliorative sense of the word, in a way that will ensure the advancement of both the firm and society. Without money there is no greatness, no person, no life. At a certain level, I think, the money must be spent and then new money has to be created from it. Even if a person is unable to create new money, he should invest it in his life. A millionaire should not live miserably and die like a beggar. Instead, he should go to dine at the Hilton or anywhere else.

[Varga] Do you go to the Hilton to dine?

[Petrenko] Yes, I do. I go because my contacts are such that I have to. If somebody invites me to an expensive restaurant in Germany, Sweden, or Switzerland, I cannot reciprocate by taking my guest to a buffet, because that would not be polite. A firm that cannot afford to entertain its guests properly is not a firm that counts.

[Varga] Does your family eat dinner at home, say, on a birthday or weekends?

[Petrenko] Always at home. We set great store by such family traditions. Holidays are observed very seriously in our family.

[Varga] Is it expensive to keep a large family together and to foster your contacts?

[Petrenko] It is not so expensive, because our family is not that large. I have two sons, and they are still living at home. To my disappointment, because I would love to have grandchildren. In my opinion, it is high time they were arriving.

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